BUDGET & FINANCE COMMITTEE

Of the

SUFFOLK COUNTY LEGISLATURE

Minutes

A regular meeting of the Budget & Finance Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York on Tuesday, **March 9, 2004**.

MEMBERS PRESENT:

Legislator Andrew A. Crecca, Chairman
Legislator William J. Lindsay, Vice-Chairman
Legislator Allan Binder
Legislator Daniel P. Losquadro
Legislator Lynne C. Nowick
Legislator David Bishop

ALSO IN ATTENDANCE:

Presiding Officer Joseph Caracappa, Fourth District
Deputy Presiding Officer Angie Carpenter, Eleventh District
Legislator Cameron Alden, Tenth District
Legislator Peter O'Leary, Third District
Legislator Brian Foley, Seventh District
Legislator Ricardo Montano, Ninth District
Mea Knapp, Legislative Counsel
Alexandra Sullivan, Chief Deputy Clerk
Paul Sabatino, Chief Deputy County Executive
Robert Bortzfield, Budget Office, County Executive
Jim Spero, Budget Review Office
Lance Reinheimer, BRO
Robert Lipp, BRO
Anne Abel, AME
Lydia Sabosto, AME
Dan Farrell, AME
Linda Burkhardt, PO's Office/Chief of Staff
Roger Podd, County Executive's Office
Janet DeMarzo, Commissioner of Social Services
Martin Haley, Treasurer's Office
John Cochrane, County Treasurer
Joe Sawicki, County Comptroller
Joan Sikorsky, Municipal Finance Analyst
David Mikolsky, Auditor

Richard Tortora, Financial Advisor to Suffolk County

Frank Tassone, Aide to Leg. Crecca

Carl Yellon, Aide to Leg. Crecca

Len Marchese, DSS

ALSO IN ATTENDANCE (Continued):

Kevin LaValle, Aide to Leg. Losquadro

Linda Bay, Aide to PO Caracappa

Ken Knappe, Budget Office/County Executive

Lisa Keyes, Aide to Leg. Caracciolo

Minutes taken by:

Diana Kraus - Court Stenographer

Donna Catalano - Court Stenographer

Alison Mahoney - Court Stenographer

(THE MEETING WAS CONVENED 9:20 AM)

CHAIRMAN CRECCA:

Folks, we're going to try to get started very shortly. We're just checking. We have one member of the Committee whose MIA and we're just checking out his or her whereabouts.

(RECESS)

CHAIRMAN CRECCA:

Would everyone please rise for the pledge of allegiance? I'll ask Legislative Aide, Ron Cohen, to lead us in the pledge.

(SALUTATION)

CHAIRMAN CRECCA:

Thank you. Please be seated. It is my pleasure to welcome everybody to the Budget and Finance Committee meeting today. We have rescheduled it to today because of the fact that we have a lot of material to cover. We have comprehensive budget amendment proposals from both the County Executive as well as a legislative proposal; both involve the refinancing plan. And because of that, we have a presentation this morning on both the refinancing plan, which is a major element of both bills, as well as to discuss the state of the County's fiscal condition and the potential for these budget amendments that are before us. I will -- first I want to thank those who are with us today who will be speaking today and that is CMA, which is Capital Market Advisors, which is our independent financial advisor for the County, Rich Tortora, and his staff including Bill Glasso is here today. We have also with us the County Comptroller, the County Treasurer, obviously Budget Review. We've asked Mr. Bortzfield to be here, which I see he's here from the County Exec's office.

So what I'd like to do is since the Comptroller was an intricate part of putting together today's meeting and also working with Capital Market Advisors, our financial advisor, I'm going to turn it over to the Comptroller, Joe Sawicki, to introduce or provide an introduction to the presentation this morning. Thanks, Joe.

MR. SAWICKI:
Good morning, ladies and gentlemen. In addition to that list of guests we have to testify this morning, Mr. Crecca, we have Dave Mikolsky, who is another part of Suffolk County's financial team. He's the partner in charge of municipal accounting for the County's independent auditors, Ernst & Young. And we've also requested Dave to come out and give his synopsis and basically his opinion on the different financial refunding opportunities we could -- the Legislature and the County Executive will be pursuing in the coming weeks.

Rich Tortora, who is the President of Capital Markets Advisor, is an attorney and he's been working in municipal finance for over 15 years. He's been Suffolk's financial advisor for over 11 years. He's been involved in an intricate basis with us, you know, basically putting forward our various refunding opportunities over the years, analyzing our cash flow opportunities. Rich is an attorney specializing in municipal securities. He's been an in-house counsel for a broker dealer firm on Wall Street. He used to be also a bond counsel for one the largest Wall Street firms in the city. Again, and, we're proud to have him as our financial advisor. I thought it was important that he come before you today because he, is as you know, the Legislature, he has been -- he plays in intrical role in setting up the various meetings we have with credit rating agencies. Next month a number of us will be going to Wall Street to meet with Moody's, to meet with Fitch and Standard and Poors and Mr. Tortora has the intimate knowledge of Suffolk County's financial situation.

What's most important, I think in the message we convey to the Legislature, and as your Comptroller that I would like to convey, is that with Moody's we have an A two rating. With Fitch we have an A plus. And with Standard and Poors we enjoy an A. This is a proud accomplishment for Suffolk County. Our financial situation is strong, we're viable, we're stable. And no matter what you as the Legislature pursue and the County Executive pursue down the road, I don't think any of us would want to see these ratings and our financial situation, our financial stability jeopardized. If anything we want to make it stronger. And hopefully -- and when we get to the question and answer period later today where you could ask Mr. Tortora or Dave Mikolsky any questions you have, but this is what's first and foremost on our minds is to make sure that we're working, we provide what's best for Suffolk County's financial situation. So now I'd like to introduce Rich Tortora and his associate Bill Glasso.

CHAIRMAN CRECCA:
Thank you, Joe.

MR. SAWICKI:
Thanks, Andrew.

CHAIRMAN CRECCA:

And thank you, Rich and Bill for being here today. I also just want to acknowledge that -- I want to thank the Legislators who are not members of Budget and Finance Committee for being here, too, and participating in this. I think it is -- the presentation's extremely important today and it benefits all Legislators who can be here. And thank you for being here. Go ahead, Rich. Thank you.

MR. TORTORA:

Thank you. Good morning everyone. As the Comptroller said, our purpose -- thank you, excuse me. Our purpose in appearing before you this morning is to discuss various defunding opportunities that presently exist under present market conditions that we believe the County should seize the opportunity and issue some refunding debt. We have been meeting with the Comptroller's office and other members of the county staff over the last several months to discuss these refunding opportunities.

What we're going to do is we prepared a power point presentation which we'd like to walk through now. Specifically what we're going to discuss is three different ways that the County could refund its outstanding debt. And we'll discuss the various merits of the different structures that we suggest the County consider. To get started on the first slide, we discussed the County's current debt issuance practices as they pertain to the issuance of refunding bonds. Very simply, what a refunding is, the County has several hundred million dollars in debt presently outstanding. Because interest rates are at or near historical lows, there's an opportunity for the County to issue new bonds under current market conditions at low interest rates, take the proceeds from the new bonds, invest them in United States treasury securities with an escrow agent; and then the proceeds from the new bonds would be used to pay off the old debt.

What the County would be left with would be just to pay the debt service, principal and interest, on the new refunding bonds. As a result of doing the refunding transaction, the County would recognize both gross savings, which is savings every year, plus present value savings. Depending on how the refunding is structured, the savings can be recognized, this is again the debt service savings, up front, on the level basis or a combination of the two.

The criteria that the County had employed in the past to identify whether a refunding opportunity existed were as follows. The refunding -- it was required that the refunding generate at least 3% present value savings. The 3% present value savings rule is important because all refunding's done by localities in New York State by necessity has to go before the New York State Comptroller for his approval. The 3% threshold then is something that's kind of the rule of thumb for all issuers across the State of New York. That's not to say it's written in stone and that if in deed we executed a refunding that was slightly below 3% present value savings, we wouldn't get approval. There is some latitude that the Comptroller exercises.

Another rule that the County has employed in the past is that as a result of a refunding, there be no dis-savings in any year. So what that means, of course, is if we were to issue refunding bonds in 2004 and those bonds were to mature in 2005 through 2025, let's say, in each year as a result of refunding, the debt service would have to be less than what it was prior to the refunding being transactioned. There would be no dis-savings.

The last item that the County employs for its three criteria, is that cost of issuance associated with the refunding bond issue be such that the savings generated are two-and-a-half times the cost of the issuance. That's a guideline that we easily meet whenever we do a refunding. Other County practices that have been employed over the years, the County traditionally slightly front loads the savings. So when we do a refunding, they have slightly more savings in the first year of the refunding transaction than they do in subsequent years. But then they have relatively level savings thereafter.

And finally, the County always strives to structure its deal to optimize the savings. Not necessarily to maximize the savings, to squeeze every possible dollar out, but to optimize the savings in light of what the goals are when the particular refunding is being transacted. Accordingly, I direct you to this next slide. This is a structure that the County could employ under current market conditions that would involve the refunding issue of about 154 million dollars. This particular structure is modeled on how the County traditionally issues its debt. You'll see the savings in the first year, that two million 798 thousand dollars. That's slightly front loaded savings. And then you see savings in each year thereafter for the life of the issue. This particular structure, again, which is the structure that the County typically employs, does generate present value savings of 3.74%.

CHAIRMAN CRECCA:

Rich, on that first scenario, I don't mean to interrupt, but the 8.682 million --

MR. TORTORA:

Yes.

CHAIRMAN CRECCA:

What does that represent?

MR. TORTORA:

That represents the total gross savings over the life of the issue. It's different -- if we were to take that revenue stream, the saving 2.7 million the first year, 492 the second, et cetera, and present value that back to today's dollars, that's how we get the 3.74 present value calculation. But the 8.682 is the gross dollars saved as a result of this structure over the life of the issue.

CHAIRMAN CRECCA:

Turn the mike on.

MR. SAWICKI:

Thank you. Given any typical year, a normal year without the County facing a budget shortfall or any type of crisis, this would be a slam dunk opportunity to pursue. And this is what Capital Markets Advisor first came and approached us with back in December and January. This would be an easy one. As you can see, there's no -- there's literally no risk whatsoever associated with this. But also very minimal savings up front.

CHAIRMAN CRECCA:

Thanks. Go ahead, Rich.

MR. TORTORA:

We now turn your attention to a second structure. We understand this was a structure that was embodied in a resolution that was put forth made perhaps on the table last month, I believe. And this is a structure in which a heavily front-loaded savings approach is utilized. What you'll see in this structure is, you'll see savings during the 2004 fiscal year of 5.5 million dollars. Very significant savings in the following year of 27 million, followed by savings again in the third year of 17.7 million. The downside of this structure, since no good deed goes unpunished, while we have the savings upfront in the first three years, the cost of that is what we consider to be significant dis-savings for eight executive years thereafter. Savings that range from a low of 5.8 million to a high of 14.7 million.

If you turn the next page, I'll walk through what concerns arise as a result of that heavily front-loaded structure. The first thing that comes to mind is the structure -- if in deed the County were to go forward with the heavily front-loaded savings structure, it is such a significant departure from the longstanding debt issuance practices as they pertain to refundings, that we think that would give rise to the concerns on the part of the credit rating agencies.

Also, the second concern is this particular issue in that it's a 272 million dollars issue, it refunds all or most of approximately 29 existing issues currently outstanding. As a result of refunding so many issues, some of which are being refunded for very minimal savings, the County effectively precludes itself from opportunities for the next several years to refund some of those bonds under what could possibly be significantly better conditions, where savings might be significantly larger. So we think an issue this large generating this level of savings is an opportunity cost to that.

The next item we point out, as I mentioned a moment ago, that this structure generates eight consecutive years of large dis-savings, at a time when we understand the County is seriously considering a significant capital project in relation to the jail. In the years where this debt service is impact so negatively, we understand very likely could coincide with the issuance of new debt to fund the County jail. And we think that could be problematic.

The next item, the structure of the refunding debt with the dis-savings is such that it would necessitate the County changing its future debt practices with regard to the issuance of new money in order to keep the benefit of this structure for the County. We're going to talk about that a little more later.

Finally and obviously, this particular structure with the front-loaded savings does not come close to maximizing -- the box of the gross dollars are close, but the present value savings and the gross dollar savings really aren't optimized under this particular structure. We think there's an attractive alternative to this.

Slide six, which is titled Moderately Front-loaded Savings Structures, shows an issue that is significantly smaller than the front-loaded structure, while the front-loaded structure envisioned an issue that had a par amount to approximately 272 million; this issue has a par amount of 179 million; significantly smaller, obviously. The savings structure in this issue, what we did is we after consulting with the Comptroller and other members of the other County officials, we came up with a structure that we thought was appropriate in light of the goals here, and which is, we had somewhat front-loaded savings in the first year of three and a half million, savings again in years 2005 and six over six million. And then our dis-savings while admittedly they're dis-savings for ten consecutive years, we kept the level of the dis-savings at a point that we don't think it's overly aggressive to generate dis-savings for an issue this size of approximately a million two in subsequent years. This issue in deed generates present value savings of 2.79%. We're optimistic that it could probably get close to the 3% threshold with some adjustments and market condition adjustments.

I turn the next page just to walk through, again, the benefits of this moderately front-loaded savings structure. It does in deed achieve significant savings in the '04 and '05 years of just over ten million dollars. It limits the annual dis-savings to 1.26 million, a level that we can think would be acceptable to the rating agencies. It doesn't significantly deviate from the County's longstanding debt issuance practices. We believe that it could come very close to achieving the longstanding goal of 3% present value savings. And perhaps most importantly it preserves the opportunity in the future for the County to refund 100 million dollars in debt that isn't being refunded under this scenario that would otherwise be refunded under the front-load scenario. And every year that you get closer to a call date on all of those other outstanding debt, refunding opportunities become more attractive. We're confident that many of those bonds that would not be refunded under this scenario, could certainly be refunded over the next several years for significantly more savings assuming that interest rate conditions stay somewhat close to where they are now. Even if they were to rise, it would still be an attractive refunding candidate because it would that much closer to the call dates. It might be appropriate before I go to the recommendations slide to address any questions that you might have at this point on those three scenarios.

CHAIRMAN CRECCA:
Sure. They're just dying to ask questions of you. The only thing -- no. The only thing I also told Legislators, I've asked those who are speaking today to stay also because -- and you're more than welcome to ask questions now, but I'm going to also have the Comptroller comment, the Treasurer, the Budget Office and the Budget Review Office. And then I'm going ask all of those principals to stay up here and answer questions.

LEG. LINDSAY:
I'm old and I'll forget.

CHAIRMAN CRECCA:
I know. Well, we know, Bill, you'll forget. So for the old man Vice-Chairman Lindsay, go ahead. I just don't want you to think you have to ask.

LEG. LINDSAY:
What confuses me, do you guys envision interest rates going any lower than they are now?

MR. TORTORA:
Not presently. However, if you asked me that a year ago and two years ago, I would have said the same thing. Interest rates very been low for a very long time. And frankly we put some of our clients into bonds in the fall and in the preceding spring because we thought rates were at their rock bottom. It's very hard to project where interest rates are going. In light of the news that came out the other day on unemployment, the market rallied and once again rates came down. To answer your question simply, no, I don't think interest rates or going to

doing down.

LEG. LINDSAY:
So wouldn't now be the opportune time to restructure all of our debt -- well, where they're at rock bottom?

MR. TORTORA:
Not necessarily; and the reason being as we said, this heavily front loaded structure envisions refunding approximately 29 different series of bonds, some of which are being refunded for very small savings, even dis-savings. And the reason why they're all included, is because they have debt service payments over the next couple of years. And by including those particular issues, you're allowed -- it enables you to be a structuring techniques to push the savings into the next couple of years. But the simple answer is, we strongly believe that many of these candidates will be much more attractive refunding candidates in the future, much more so than they are presently regardless of where interest rates go.

CHAIRMAN CRECCA:
Rich, I just want to follow-up because you're on that thought, why would they be more -- why would they be better candidates in the future?

MR. TORTORA:
The way a refunding works, when we issue our refunding bonds, we take the proceeds from the refunding bonds and we invest them with the trustee such that they earn interest until they're used to pay off the old bonds. For example, if we're refunding an issue that was issued in -- a bond issue from 1996, the typical call feature for a Suffolk County bond is ten years. So we can't call and pay off that bond until 2006. So as a result we issue our refunding bonds in 2004, we take the proceeds and we invest them.

Now, on the investment side, while we might issue our debt in today's market at say a 375, when we invest those proceeds, we might be hard pressed to do better than a 175 on the investment side. So every day that the money is sitting in the escrow, it's losing money. Nevertheless, the dynamic of the whole transaction is such that you end up saving money. However, if we move the refunding a year from now, rather than lose money in the escrow at 175 for two years, it would only be generating negative arbitrage, which is the difference between the cost of capital and yield for one year. The negative arbitrage is one of the reasons that makes many of these refunding candidates unattractive. So getting one year closer to the call date will help. We also suspect just as interest rates on the borrowing side might go up, investment rates might go up. And because a significant dynamic of a refunding is what the investment earnings are in the escrow, as investment rates go up, refunding opportunities at least stay as attractive as they are now or very likely will get more attractive.

CHAIRMAN CRECCA:
David.

LEG. BISHOP:
Legislator Lindsay asked a lot of my initial questions because it's my understanding that there's a concensus among economists that there's no way that interest rates can remain this low. And that it's artificially depressed at the moment. But the questions that I have relate to the overall picture of our debt. It's accurate that we spend approximately 20 million dollars a year out of the operating budget to pay off debt currently. Is that roughly?

MR. TORTORA:

That's roughly -- I think that's a good number to use.

LEG. BISHOP:

So all these plans talk about lowering that number in certain years and raising that number in other years.

MR. TORTORA:

Let me just take one moment because Mr. Spero -- if you're talking about County debt across the board, the annual number is significantly higher than that.

CHAIRMAN CRECCA:

You're talking about total debt service, Dave?

LEG. BISHOP:

Yes.

MR. TORTORA:

Let us take one moment. In 2004, the total principal on County debt is 91 million dollars. The total interest is 32 million dollars.

LEG. BISHOP:

So you add those two numbers together?

MR. TORTORA:

124 million 037.

LEG. BISHOP:

That's what we pay in debt.

MR. TORTORA:

In fiscal year '04. Principal and interest. I think you were referring just to the interest number.

LEG. BISHOP:

Well, yeah, I want to know how much we have to tax the public in any given year to pay off our debt.

MR. LIPP:

Off the top of my head, serial bond debt in the general fund 2004 is principal and interest 72 million dollars.

LEG. BISHOP:

That's the fifth number.

MR. LIPP:

That's the general fund.

LEG. BISHOP:

How do I look at it as a policy maker? I have to tax the public to pay off debt.

MR. LIPP:

72 million in the general fund.

LEG. BISHOP:

Okay. That's what we pay -- 72 million right now. So when we pursue a level of debt service policy, as we go into future budgets, we say to ourselves, we want to tax approximately 72 million. Then these plans adjust that number up or down.

MR. TORTORA:

That's correct.

LEG. BISHOP:

Okay. Then one of the aspects of the overall thrust of these -- both plans that are out there and then this third plan, is that 5-25-5, which is our policy relating to pay-as-you-go, to take reoccurring expenses and small items and pay for them out of operating budget is being suspended. And the rationale is that interest rates are historically low. And, therefore -- and we have a crisis. Therefore, take the money that we set aside for pay-as-you-go and apply it to tax relief. That means that all those items approximately 20 million dollars a year are now going to be borrowed if we want to continue to fund those items; right? Everybody understands that? So if you suspend pay-as-you-go, you're going to borrow. Is that factored in -- that's not factored in here because you're not --

MR. TORTORA:

No. All we're looking at is refunding opportunities relating to outstanding debt.

LEG. BISHOP:

What would that -- what does that typically add to -- 20 million dollars of --

MR. TORTORA:

This pay-as-you-go -- in the past the County has had a rather aggressive pay-as-you-go program where they use, as you said, available dollars. Now a number of those projects are being funded through debt issuance; however, about two years ago the County implemented what we call a rolling note program, for issuing one-year notes to fund those projects. And at a cost of capital that's been at or below 1%. So if you looked at -- if we're looking at say a 20 million dollar expense on an annual basis at 1%, you do the math and you come up an interest expense of $200,000.

LEG. BISHOP:

Right. But you still have to pay the interest -- the principal the next year. Is that how that works?

MR. TORTORA:

That's correct. You start amortizing --

LEG. BISHOP:

So you buy your items in 2004, but you pay 20 million plus 200,000 in two thousand --

MR. TORTORA:

That's correct.

LEG. BISHOP:

Okay. I just want to understand.

MR. TORTORA:

No, no, no. If you borrow 20 million in notes in 2004 to fund projects, in 2005 you make an interest payment on the 20 million. And then you start amortizing the principal. Depending on what the useful life is of all those underlying projects, you might be paying it back over five years, over ten years, over 15 years. What the County's present policy is they re-pay debt on a per project basis.

LEG. BISHOP:

But all these projects are supposed to be reoccurring expenses and have lives of less than five years. That's why they're in that structure of 5-25-5. So that means that at best you're paying five million dollars a year each year after that.

MR. TORTORA:

That's correct.

LEG. BISHOP:

Plus the interest. Okay. I just want to get the perspective on it because you see we're talking about very small savings and -- but suspending 5-25-5 alone wipes out a lot of the savings in certain years. Then we add on top of that the jail. And the jail costs currently estimates are 215 million dollars principal and interest. How much is that annually, do you think that --

MR. TORTORA:

What would be the annual debt service on that?

LEG. BISHOP:

Yeah.

CHAIRMAN CRECCA:

These might be better questions, too, for the Comptroller.

MR. TORTORA:

Obviously, it's tough.

CHAIRMAN CRECCA:

You may want to hold some of these; that's all, Dave.

LEG. BISHOP:

I'll take anybody's answer.

CHAIRMAN CRECCA:

The whole slate.

MR. TORTORA:

It's very much dependent on the structure. I mean I suspect that the jail would be paid off over a 30-year period.

LEG. BISHOP:

Yeah; right.

MR. TORTORA:

Isn't it a 20-year period? It's construction of a new building. So the local finance law would allow you to fund it over as long as -- as much as a 30-year period. The rough, back of the envelope, it might be a cost of approximately 30 million dollars a year. Strike that. It would be -- we should calculate that for you. It's a number in excess of 20 million dollars a year during the 30-year life.

LEG. BISHOP:

Okay. So just -- what I'm calling the Committee's attention to, is that those other issues -- yes, Jim.

CHAIRMAN CRECCA:

I think he said --

LEG. BISHOP:

They're using this 215 at the moment. Yeah. It's gone from 140 to 215.

CHAIRMAN CRECCA:

I heard it's gone up. I haven't heard an exact number.

MR. TORTORA:

Legislator Bishop, the number you mentioned about the cost of the jail was 215 million?

LEG. BISHOP:

Yeah.

MR. TORTORA:

And you said principal and interest or is that just construction costs?

LEG. BISHOP:
I think that's principal and interest.

MR. TORTORA:
Principal and interest.

MR. TORTORA:
Principal and interest. What would be the principal cost of the construction of the jail that you want these figures on?

MR. LIPP:
If we floated a 20-year bond for 215 million dollars, the debt service annually will be ball-parkish 17 and a half million per year. And the total debt service over 20 years would be 325 million.

LEG. BISHOP:
No way. I think that's -- even as a proponent of the jail, that's too much. It's -- 215 should be the life of it.

MR. LIPP:
Oh, you want to know what the principal would be.

MS. SIKORSKY:
What is the principal amount?

MR. TORTORA:
We need to know the principal to accurately --

LEG. BISHOP:
You know, I don't need the exact -- the point I can make without the exact number. The point is, that as we look at future debt, that the restructuring is a relatively minor issue if our policy concern is that we don't want to dramatically change how we tax to pay off debt. Unless -- so that's the issue that I want to raise. And I don't need the exact number in order to raise that because just the size of the jail alone would take care that. And then you add suspending 5-25-5, then you get to where --

MR. LIPP:
Okay. Answer. If you want the total debt service over 20 years to be 215 million, you would be able to borrow less than 145 million with some interest rate assumptions and assuming the current structure for repayment that the County currently uses as opposed to what might be proposed now with the change.

CHAIRMAN CRECCA:
Again, in context, the point if this is regarding the potential cost to us in 2007 and beyond for a project like the

jail; correct? And that should be taken into consideration. Rich, you weren't done with your presentation.

MR. TORTORA:
We weren't.

CHAIRMAN CRECCA:
Okay.

MR. TORTORA:
If there are no more questions, let me just turn to the eighth slide. As I mentioned previously, regardless of whether or not the County proceeds with a heavily front-loaded or level or a moderately front-loaded structure, we do recommend that the County employ some changes to the current debt issuance practices for new money issues. As you're aware, the County's typically in the market twice a year with a spring borrowing and a fall borrowing. The total par amount of those two issues typically is about 80 million dollars. What we're recommending is that the County employ a financing technique called level debt in terms of how it structures its new money borrowings going forward. Level debt was authorized in 1994 when they amended the local finance law. It's presently being used by most jurisdictions in New York state. And what it does is it generates a repayment schedule for bond debt that's very similar to the type of structure that we all see in our home mortgages where principal and interest are relatively level over the life of the issue. What that does is, it gets you debt service relief in the early years. It does in deed have you incur greater total interest expense over the life of the project; however some of that additional cost is offset by the fact that most of the additional expense comes in the very latest years of the structure when you're paving with dollars that have been -- you know, the value of which have been inflated over time or deflated over time.

The second item that we suggest the Legislature authorize the Comptroller to employ is it weighted amortization schedule. As I said earlier in response to Mr. Bishop's question, the way the County presently amortizes its debt, it does so on a purpose by purpose basis. So if a police car has to be paid over five years, the debt is issued over five years. If a building has 30-year life, the debt is paid over 30 years. The weighted average maturity structure allows us to blend all the dollar amounts and all the various useful life for all of the projects together to come up with a maximum term under which all the debt could be issued. Again, that will get us some debt service relief.

The reason -- one of the reasons why we're recommending that these additional financing techniques be authorized because they will get you some significant debt service relief over the next couple of years. We estimate that just by employing these two methods and deferring principal payment by a year, that the County could save approximately seven million dollars in 2005. It could save probably at least that much again in 2006. We think that makes a lot of sense actually.

If you look at the impact of these different structures, we come to the last slide. What we did is we compared the structure on the County's last general obligation bond issue which was sold in December. A 29 million dollar issue was sold in December. It was structured pursuant to the 50% rule which is in that second column from the left, where you see debt service was 3.3 million dollars. If that same issue was structured pursuant to the level debt structure, the debt service in 2004 would be 2.2 million dollars. So a difference of about a million one. If we structured that same issue using the 50% rule but deferring principal repayment by a year, the debt service in the first year would have only been one million. So that you'd have a savings of about 2.3 million dollars.

And finally, if you employ the level debt structure and pushed the initial principal out two years, your debt service in 2004 would be just over a million dollars. We think that the -- employing these techniques which are being used by most jurisdictions in the state presently gives the County some additional financing flexibility but certainly achieves one of your goals in getting debt service relief in the next two years.

Again, if anyone has any questions, I'd be happy to address them.

CHAIRMAN CRECCA:
Rich, I'd like you to address one question for the Legislators. And that is, I understand your recommendations regarding avoiding major dis-savings on the refinancing of our debt. What I would ask you to sort of compare for us is why not -- what are the pros and cons versus business as usual where we never had any dis-savings to I guess what you call the --

MR. TORTORA:
The moderate front-load.

CHAIRMAN CRECCA:
Yeah, the moderate front-load plan. I mean, because, you know, some would tend to say why have any dis-savings in future years?

MR. TORTORA:
Sure. When we structure financing, we do them in light of the client's needs. If it was business as usual, we would recommend using the first structure, which you might notice is the smallest par amount, only 150 million dollars. It generates the greatest present value savings. Again, if the County wasn't facing a financial problem. In light of the fact that there are perhaps significant budget shortfalls on the horizon, we rolled up our sleeves, looked at many different ways of structuring this issue and came with up something that we thought generates some significant up front savings approximately ten million, does so at a very small cost of dis-savings that we think will not have any impact at all on the County's credit rating. We're looking -- we have to be independent and objective so we're -- while we're aware of the County's financial problems, we also want to look forward and say how is this structure -- how could this possibly impact on the longstanding credit rating. We're very concerned that the heavily front-loaded structure would have a negative impact on the credit ratings. We're optimistic -- we're very confident actually that the moderate structure with the million two dis-savings would not. Yet it does generate savings.

We'd like to think that if you were to present the County's financial plan in the next month's meeting to the rating agencies and talked about the moderately front-loaded savings structure for the refunding, refunding of about 175 million, that preserves many other refunding opportunities in the future and changes to the new debt issuance polices. We think the whole plan will be well received by the rating agencies. But, again, our purpose in generating the sum dis-savings is a response to the situation that the County finds itself in.

CHAIRMAN CRECCA:
Would the rating agencies themselves have a particular preference to, say, the business as usual plan to the moderate savings plan? Or do you have to take it as a whole --

MR. TORTORA:

I think you have to -- yeah. I think that to answer your question, their preference is always to see the deal maximized; the savings to be maximized. However, that moderately up front structure is such that it gets you a good result at a time when you need some money up front. And it does so at very little cost in terms of opportunity costs.

CHAIRMAN CRECCA:

And how does it -- how does it jive with the recommendation policy -- the recommended policy changes with regard to issuing new debt?

MR. TORTORA:

The recommended policy changes just gives the Comptroller more flexibility in how he structures future debt. And those changes, which again are authorized under the local finance law and currently being employed by the vast, majority of jurisdictions in the state, they will give the Comptroller the opportunity to structure future new money borrowings to again give you further debt service relief in the next couple years when you really need it.

CHAIRMAN CRECCA:

Legislator Alden.

LEG. ALDEN:

If we hadn't come to you and said that we absolutely need this relief in the next two years, if we had come and said we've got problems in the next two years but we also think that in the year three, four, five and up, we're going to have pretty huge increases in our Medicaid so it's going to create like another budget gap or whatever you want to call it, which of the these plans would be the most flexible that you would have come to us in that point?

MR. TORTORA:

In light of the circumstances because we have to look at this -- we can't look at it in a vacuum, we do like this third plan with the moderate front-load dis-savings because it doesn't increase the par amount of the issues such that you're leaving -- you're missing a lot of future opportunities. It does get you some significant savings in the next couple of years. And the dis-savings we think are somewhat de minimus at a million two annually. So we would -- we would still go forward with that third plan.

LEG. ALDEN:

Even if we had told you that year three, four and five we're going to have, you know, the same type of problem?

MR. TORTORA:

We would knowing that there's an immediate problem on the table. You know, the fall back position you might say well, why not the first plan? We think that the dis-savings generated in the third plan, the moderately front-loaded are such that they're certainly tolerable from a credit standpoint and from the County's overall debt service standpoint.

LEG. ALDEN:

Okay. Thanks.

CHAIRMAN CRECCA:
Legislator Foley.

LEG. FOLEY:
Thank you, Mr. Chairman: Just as a follow-up to some other questions, Rich, you made the point several times that the front-loaded plan could send I'll say, qualified response but could send a negative signal to the rating agencies. But I really didn't hear how and why it would do that. Why would it send -- why you believe it could send that when in fact we heard earlier from the Comptroller about our bond ratings and how highly rated our bonds are. So how would this different plan and if the Comptroller wants to chime in, that's fine, too, but how could this front-loaded plan possibly send, let's say, a negative signal to the -- any more or a negative signal to the rating agencies than the state already has by foisting on us the number of mandates that we have to fund locally?

MR. TORTORA:
If I used the word "could", I mis-spoke. I think it would send -- it would have negative credit implications.

LEG. FOLEY:
For a non-committee member, then I am here, who is really more focussed upon utilization of funds to provide programs to people in this County, explain to me patiently as to why this, as you just said, will send a negative signal to the bond agencies?

MR. TORTORA:
Two primary reasons. The County has long standing relationships with each of the three credit rating agencies. Part of the -- one of the components of your credit rating is your debt. There are four major components. Your management practices, economic and demographic factors, your finances and the last one is your debt. The County has always gotten very strong marks with its debt issuance practices. They amortize their debt very quickly. For a county of your size, your outstanding debt is relatively small. Also, one of the practices on which your credit rating is based is your practices as they pertain to refundings. And your refunding practices have always been very conservative. The 3% present value savings, the two-and-a-half times cost of issuance rule and no dis-savings in any year. The heavily front-loaded savings structure is a significant departure from that long standing practice on which a component of your rating is based. So that's the first concern.

The second concern is by front loading the savings so dramatically and generating such significant dis-savings in later years -- -

LEG. FOLEY:
Now, when we say dis-savings, explain what you mean by dis-savings?

MR. TORTORA:
If you --

LEG. FOLEY:
And I thank the Chair for the time that you're giving to answer the question.

MR. TORTORA:

The nature of the heavily front-loaded savings structure is such that when we issue our refunding bonds, we take the proceeds of our refunding bonds, we invest them to pay off the old bonds. Now all the County's responsible for is to pay principal and interest on the new bonds. If you were to compare as you see in this chart -- if you were to compare the old debt service to the new net debt service, you'll see that the County will have to -- will spend five million dollars less -- 5.5 million dollars less in debt service in '04. It'll spend 27 million dollars less in '05 and 17.7 million less in '06. But as a result of this refunding, the County in '07 will spend 12.3 million dollars more in debt service because of the nature of the way that the refunding bonds are structured. That's going to underscore the financial problem that the County is going through. Because --

LEG. FOLEY:

Just on that point and I thank the sufferance of the Chair for this. So that's going to signal that we have some difficult times in our County. But I think a much more obvious difficulty that the rating agencies are dealing with when it comes to any municipality in the State of New York has to do with the unfunded mandates that the state has forced upon counties and city governments. So the point that I would make, and whether you can answer it today, is whether or not those unfunded mandates are going to have a more influential role in the rating agencies making determinations about our bond rating than this what I would call this recalibration of our debt service. And I would think given the fact that in one year alone we had a 53 million dollar increase in unfunded mandates from this state, which is larger than our whole general fund property tax rate, that that would have a far greater influence on what the bond rating agencies are going to do as opposed to this -- I call it recalibration of our debt service. Would you not agree?

MR. TORTORA:

If I could answer that.

LEG. FOLEY:

That's a 53 million dollar increase in one year. Not a 22 million dollar in indebtedness seven or eight years from now.

MR. TORTORA:

Obviously what we've been asked to address, of course, is the implications of this particular component of your credit rating. And this transaction heavily-loaded might be perceived to be something of a one shot, which the rating agencies look upon with great dis savor in that there are significant up front savings once it occurs over a three-year period. And then dis-savings for three years -- excuse me. Eight consecutive years of dis-savings. That structure will give rise to concern.

LEG. FOLEY:

Just a follow up to that, that the later years that there's an increase. But as you also know, that there's a proposal by the state government that it's not front-loaded but it's back-loaded in Medicaid savings for local municipalities within the -- I think from the fifth to tenth year of this plan that Governor Pataki's put forward. So you may have some municipalities that are front loading it now as far as this savings is concerned. This savings may increase years from now. But it's at that point in time there'll be some rough parity between the change in the increase in our dis-savings but also the same point one of the problems is from the state is that they're going to start dropping the unfunded mandate costs on us in the later years of this, meaning in the next five to eight years. So I just wouldn't want you to look at this in terms of what this particular plan is, but also in terms of how the state is somewhat -- well, very belatedly, but is trying to come to grips with reducing the unfunded mandates to our counties and cities over the next five to eight years which there could be some, say, relationship between dis-service increase that we have but also there being a decrease in the number of unfunded mandates to us. So it wouldn't put us in a kind of jeopardy that otherwise that you'd think that we would be in. Because it would be supposedly less of a mandate on us by the state with Medicaid in the years ahead. It's not in concrete yet, Mr. Chairman, but it's something that they're working on so I think you should look at that as part of your determination of whether or not the bond agencies are going to look poorly upon this particular proposal.

LEG. CRECCA:

I'd ask Legislators and I appreciate your comments, Legislator Foley, but we will have an opportunity to debate the issues. I have three Legislators who have promised they have one question each of Rich. So I say that publically to shame them if they ask more than one question. But just a reminder to members of the committee and those other Legislators who are here, again, after the other speakers speak, I'm going to ask them all to stay here to answer any questions because their comments may generate more questions. Legislator Bishop.

LEG. BISHOP:

Thank you. Of course having no shame is how I got here in the first place. My question is about dis-service, dis-savings and debt. And future debt. If you were to -- if the county were to adopt anyone of these plans, but let's go with the heavily front-loaded savings plan, and it knows that it's going to have these balloons, these dis-savings years, is there a way to restructure future debt so that it could minimize the impact during those years?

MR. TORTORA:

Well, those new financing recommendation level debt and weighted average maturity structures, those will help. Because those have the effect of leveling or smoothing out future debt issues. So that will help. Let me pass the -- Bill Glasso is the firm's quantitative expert. He works on your debt on a daily basis in terms of different structurings that might mitigate those dis-savings. So let me pass the mike if I could.

MR. GLASSO:

You'll lose flexibility in re-structuring your debt in the future if you go forward and virtually refund all your outstanding issues. So the only means of going forward would be new money issues and that would be applying a level debt structure.

LEG. BISHOP:

So what I'm saying, this is one question --

CHAIRMAN CRECCA:

That's fine.

LEG. BISHOP:
As we take on new debt, and we -- can we structure that new debt so we don't have to make significant payments in the year that we have to make significant payments for our prior debt, you can't avoid it.

CHAIRMAN CRECCA:
Dave, can I just jump in to clarify his question? In other words, we can't -- once we refinance that 272 million, we can't refinance any of that existing 172 --

MR. GLASSO:
Our new money practice --

CHAIRMAN CRECCA:
I know what you're talking about but --

MR. GLASSO:
You would be able to push your first principal off on your next new money that's issued this year. And that's a one time only benefit because if you do that again the following year, you're going to be hitting every subsequent year after that. So you can this year help the '05 budget. Then after that just the level debt structure would be your only means.

CHAIRMAN CRECCA:
Legislator Nowick.

LEG. NOWICK:
I'm not sure if -- I know what question you were asking, Legislator Bishop, and I'm not sure, I think that Legislator Crecca might have been getting into this. For example, if we make a commitment to go to the moderately front-loaded savings as opposed to the heavily front-loaded, if five or six years down the road we find that we might need more of a front-loaded savings, are we committed to 20 years on this? Or can we in five or six years decide to refund again? Or once you do it, is it twenty years and that's it?

MR. TORTORA:
One of the real benefits I believe in this moderately front-loaded structure is the par amount of that issue. That issue is only 179 million -- only 179 million dollars as compared to the heavily front-loaded which is 272 million. The -- if in deed you were to go with the heavily front-loaded structure, you lockup 200 -- approximately 250 million dollars plus of county debt for ten years before it can be refunded again.

LEG. NOWICK:
That's what I wanted to know about.

MR. TORTORA:
If you used the second structure, the moderate structure, there's a hundred million dollars in bonds that you

haven't touched at all which gives you that much more flexibility going forward to do refunding for that debt, at which time you once again will be in front of the horseshoe saying front load it, back load it or level. It gives you a lot of flexibility in doing a smaller par amount. But also going forward, every time there's a -- even though the -- these bonds will have a ten year call feature, if interest rates come down in the next three, four, five years, we might again go out and do an advance refunding, which is what we're doing now. And issue new debt to restructure that. But it probably isn't something that's going to occur for several years at best because interest rate are so low. It has to drop significantly for these bonds that we're going to be issuing in '04 to be themselves refunding candidates. If we issue these bonds at a cost of 372, in order for you to refund them for savings in the future, interest rates would probably have to be certainly under 3%, probably under 2 and a half %. You might restructure them, maybe not for savings --

LEG. NOWICK:
So we're much more flexible than with the moderately front-loaded; it's less money, we have a million to play with. Okay. Thank you.

MR. TORTORA:
The par amount of the issue gives you a lot more flexibility.

CHAIRMAN CRECCA:
Legislator Binder. One question, Allan.

LEG. BISHOP:
Have you seen any other municipalities. Obviously there are a lot of municipalities in difficult situations and they're capitalizing tobacco -- securitizing tobacco, they're doing all kinds of things. So this is kind of a knee-jerk reaction. We need the money, we need it now. So let's see if we can eek out as much as possible. I mean that's what we're looking at heavily front-loaded options. I just put money in my pocket quick and we'll worry about later later. And that's what this is. Is anyone else doing it? And if they've done it, has there been a reaction in the markets, you know, in the agents -- the rating agencies, are they looking at them? Because it's got -- this is very obviously. You're looking at 70 something million dollars over a handful of years and the out years of increased debt. That's crazy. And the market's got to react to that. Are they reacting to other municipalities that way and are they are they hitting them for that kind of practice?

MR. TORTORA:
I'll answer that from a couple of different perspectives. Our firm represents approximately 150 different jurisdictions --

LEG. BINDER:
That's why I asked.

MR. TORTORA:
-- in the northeast United States. We haven't employed a structure in recent memory -- in memory that employed this much up front savings. That's not to say that other jurisdictions that are in financially difficult times haven't.

Marcy Block, whose Vice President with our firm who had been with Moody's for nine years and in charge of the northeast rating group certainly has seen structures where they front-loaded the savings because they needed to. Perhaps an issue in the city of Troy many years ago might come to mind and other large jurisdictions that have been troubled. Rest assured the credit rating agencies had concerns with those structures.

LEG. BINDER:
If you have any instances where not only did they have a concern, but the municipality took a hit, I'd just be interested in that if you have that.

MR. TORTORA:
Okay.

LEG. BINDER:
Thanks.

CHAIRMAN CRECCA:
Two things. Number one is, Rich and Bill thank you, but please stick around. Number two is, the clerk has asked for a two-minute break to change tapes and take care of some stuff. Clerk stuff. But I really want to keep this to about a three or four minute break so that we can hear from the Comptroller, the Treasurer, Budget Review and the Budget office. So we will reconvene at the horseshoe, let's say, at 10:25 sharp.

(RECESS)

(SUBSTITUTION OF STENOGRAPHER - DONNA CATALANO)

CHAIRMAN CRECCA:
Let's get started again. The next speaker for presentation is David Mikolosky, right? Am I saying it right?

MR. MIKOLSKY:
It's a tough one for everyone to say.

CHAIRMAN CRECCA:
He is our analyst with Ernst and Young, the County's accountants who are on retainer with the County. And I understand that the Comptroller had spoken to you and asked you to appear today to give your input on the refunding plan. And I would ask you to do that at this time.

MR. MIKOLSKY:
Thank you very much, Mr. Chairman. I think the Comptroller recognizes the fact that we represent a number of municipalities and state agencies in this Tri-State area. And I also do some work down in Florida, down on the west coast. And I just wanted to bring a little bit of a different perspective to the table here when you are considering the refunding transaction.

First of all, a couple of points, it was very, very helpful listening to Rich's outstanding presentation about the various different approaches, but the 3% number, which is the 3% savings number, that's pretty much a benchmark that's used not only in this state, but also in other states, and it's there for a reason. It's there to demonstrate a blended savings that can be used by the investment community in the market place as a bellwether to determine whether a refunding should go forward or not. Once you move beyond the 3%, it's an easy slam dunk transaction. Once you get below the 3% sometimes you are looking at a restructuring mode.

So when you are considering a economic refunding or a restructuring, I think the Legislature needs to be sensitive to the fact that the investment community and a rating agency view these transactions when used to the extreme, getting below the 3%, a lot of dis-savings as a sign economic distress. And, you know, that could be probably pointed out very clearly when looked at some of the numbers on slide number four when you saw the $14 million dis-savings and the $12 million dis-savings.

Those numbers when -- when you are sitting in the rating agency's chair, the question that comes before them is how you are going to fill those gaps. So that's generally what comes up in a rating agency presentation. They will ask the questions very pointedly as to what's coming on line five years out, six years out that's going to fill gap. Some communities could say, well, we've got a very large economic development project that's going to bring in a lot of taxes. Those are the questions that will come up.

Having said that, I think the rating agencies are very sensitive to the fact that counties and state agencies and states for that matter are under some economic distress right now. There's a recovery that's happening, but it's happening very slowly. How do you get your feet on the ground? Many, many communities and states are using some expensive one shot items.

Generally, when they do that, there is a down grade. And I think here in this County you want to avoid that at all costs, because a down grade, whether it be one tick or two ticks on the rating agency's scale has a long term impact on what you are going to pay in debt service. And it's very, very difficult to recover from that. It's very difficult to go back up on a rating scale. They tend to go down very quickly. It's sort of like the gas prices it seems like. You know, they go up very quickly, but they seem to take a long time to come down.

So in summary in our experience, what we have seen is that generally when you do a restructuring, and I'll say the moderate restructuring slide, if you could just picture in your mind the one that up there, the one that had a little bit of dis-savings that was a little bit front-loaded, but generated 3% savings overall, approximately 3% savings, I think it was 2.97 to be exact. That -- that particular restructuring transaction will not really twist a rating agency's eyes at all, because you are not seeing significant swings in the dis-savings numbers that you saw in slide number four.

So when you go before the rating agency, if that is the, let's say the restructuring, refunding of choice, you are going to have not to many difficult questions to answer. Whereas, I think if you brought number four over, you would have a lot of difficult questions to answer, because you are having a lot of up-front savings and a lot of dis-savings a little later on in your transactions.

Couple of other points. One of the questions was asked as to has any other counties, I believe, done similar restructurings, and what's happened. One of our clients actually in Jersey did a very significant restructuring last year, and they actually were downgraded by Moody's standard of Poor and Fitch after they did the transaction, because of the fact that it was certainly to generate very significant one shot debt service savings, not only in the first year, but also the second year. Also you saw recently the State of New Jersey got downgraded, I think, last year, similar type of transaction.

The other items that came up during the presentation requiring Legislative change, which adds more flexibility, which is the level debt service change, to give you a little bit of regional flavor of that, many, many agencies adopted that level debt service change. It gives you more flexibility. Many of the local bond laws that are -- have been around a long time have a clause in there where you are actually paying more principal, but it hamstrings you. And I think by having the level debt service change, that's a good thing, because in adopting new bond issues going forward, you will be able to take a look at that and what the impact is on your debt service. With that, I'd be more than happy to address any questions you might have. Or I'd be more than willing to stay around and address and individual questions.

CHAIRMAN CRECCA:
Legislator Lindsay.

LEG. LINDSAY:
Would you mind telling us which client's bond rating was downgraded?

MR. MIKOLSKY:
Middlesex County.

CHAIRMAN CRECCA:
I'm sorry, I was talking to Legislator Carpenter. Bill, were you finished.

LEG. LINDSAY:
Yes.

LEG. BINDER:
Andrew.

CHAIRMAN CRECCA:
Again, there's going to be an opportunity to ask questions of all the presenters here toward the end.

LEG. FOLEY:
Thank you, Mr. Chairman. You mentioned Middlesex County as the example where they took this aggressive approach and there was a downgrade. Since some committee members have a time issue here, but if you can do it in less than several minutes, but comparing the two counties, I mean, were there other outstanding issues that

caused that downgrading? Were they -- were they already in a -- in a poor fiscal shape? I mean, it's one thing to have -- to make this, let's say, comparative answer that another county that employed this approach had a downgrading, but heavens, you know, as was mentioned earlier by Mr. Tortora, there's a whole host of criteria that's reviewed by the bond rating agencies before they make a determination.

So I -- are you saying to you us that was the only reason why there was a downgrade? Were there other issues at play; fiscal, financial issues at play with Middlesex that also caused this to happen? I mean, is it a fair comparison to make?

MR. MIKOLSKY:
I think a couple of issues there. Number one, certainly when rating agencies review your rating, they look at a number of items. Debt service being one, demographics being another. And I think, you know, Rich summed it up very nicely. Budgetary structure being another one. In Middlesex County, there were facing a couple of things. Number one was debt service strain under budget. And number two, was certainly the subsidy that was required for Medicaid and Medicaid deficiencies on its long term health care facility.

LEG. FOLEY:
They had a county hospital, in other words?

MR. MIKOLSKY:
Yes, they do.

LEG. FOLEY:
Which we don't have here, which we know is a huge drain as do the neighbors to the west of us.

MR. MIKOLSKY:
When you took a look at all those factors, the rating agencies decided that they were going to downgrade the County. The one positive thing that worked really to -- in many peoples' minds that they shouldn't have been downgraded is that in New Jersey every county is guaranteed to collect every nickle of their levy by law. So every dime that is levied must be collected. At risk is the municipalities.

LEG. FOLEY:
My final question, Mr. Chairman. And thank you to this gentleman. You support this idea of adopting a level debt service. Speaking as a member of the public Works Committee, one of the concerns I would have is that if we, in fact, do adopt a level debt services, how that would impact a number of capital projects that we would want to support? And as you know, it's one area whether particularly through -- through -- through our Capital Programs we can put a whole host of trades to work and that that money actually comes back to the -- comes back to the County economy.

CHAIRMAN CRECCA:
Brian, I'm going to --

LEG. FOLEY:

That being the case, why would you support a level debt service policy if it impinges upon our efforts to jump start the economy and put people back to work through the use of the Capital Program?

MR. MIKOLSKY:

What I'd like to state is that, you know, generally you would never finance beyond the economic useful life of any asset. Level debt, which just basically allows you another flexibility option as it relates to how you are going to pay for that item. So in other words, if you have five year capital item or a ten year capital item, you never go beyond financing that term. But you could finance it level debt.

CHAIRMAN CRECCA:

Brian, just to clarify, just so you understand, the proposed policy change that was recommended by Rich and Bill from CMA doesn't prevent them from financing other ways. It just gives them the flexibility to do other ways under the Local Finance Law. So it wouldn't prevent that. And I don't think it necessarily affects the Capital Project. What I am going to do just to move things along, I'd like to move on. Allan, did you have a question or can you hold it until -- okay. I'll hear from you, Allan.

LEG. BINDER:

Just to follow up on the question of Middlesex and New Jersey, particularly. When they issue a downgrading, they usually issue a report with that. In the report, I don't know if you looked, but in the report, it doesn't specifically cite their concern of the one shot nature, the out -- the out-year hit on the budget and the question as to how it's going to be funded being opened. I mean, did it refer to that specifically in the downgrading?

MR. MIKOLSKY:

The reports that are issued by all the rating agencies are actually very, very clear as to why they are downgrading or why they are under negative watch. And they are all public reports. You know, you can pull them and take a look at them, not just for New Jersey, but wherever they have done significant restructures.

LEG. BINDER:

If I can just ask our Budget Review Office, Jim Spero, if you can just get us -- if it's possible, if you can get the Middlesex downgrade and the New Jersey downgrade, because there is a report, and it will say why they were downgraded, because I'd like to see if in the report it specifically cites their attempt to front-load the refunding.

CHAIRMAN CRECCA:

Thank you, Dave. And I ask you to stick around also, because as I said at the end, if there are questions, I'd like every on the panel to address them. I'd like to hear from our own elect officials and representatives of the County Executive's office and Budget Review. So why don't I do this, I'll ask for a brief presenting from first the Comptroller, then the Treasurer, who I asked to be here and to also give us some sales tax figures when he speaks, and then I'll ask for the Budget Office and Budget Review to also give their input. What I'd like you to address, Mr. Sawicki, and I see you have Joan Sikorsky with you also, thank you, Joan, for joining us. What I'd ask you to do is address both the refinancing plan that we're talking about, the heavily front-loaded, the moderate, and I'll call the conservative or business as usually plan and your recommendations. And I'd ask the Treasurer and the County Exec and Budget Review to do the same. And also any other input you have with regard to the savings plans proposed in 1140, 1228, 1141, those bills that are before us today.

MR. SAWICKI:
Thank you, Legislator Crecca. For those of you who do not know Joan Sikorsky, she is our municipal finance administrator, and she's been with the department for probably close to 25 years. She works on a day-to-day basis with our financial advisor and other Wall Street representatives, as well as with bound counsel. And her and her assistant strictly do all our TANS borrowings every year and our D-TANS and naturally, all our long term debt. So I guess to cut right to the chase, I think we are faced with two serious, two very plausible alternatives.

Obviously, as the Comptroller, I would favor either the most conservative approach, which is literally a no-brainer, and that is to go with the very first presentation that the Capital Market's advisor Rich Tortora proposed. However, if you feel that the $10 million is something that we need to balance next year's budget, then I don't believe the risks involved present that much of a problem. Again, basically echoing what Dave Mikolsky and Rich Tortora said, I don't think that they present that much of a risk to us on Wall Street with our credit rating agencies. That's a Legislative decision, obviously, you and the County Executive have to make together, how much -- how much that $10 million means -- the $10 million hole will be plugged up in the overall budget as opposed to going with your decision to pursue a $1 million dis-savings for the next six or seven years after that. We can live with very easily with either proposal. Either proposal aside from the up-front savings will probably not have that impact on the credit rating agencies that we fear of the heavily-loaded scenario. So in a nutshell, if you have any questions, Joan Sikorsky has been through all the financial wars for many decades with us, not many decades, two decades.

CHAIRMAN CRECCA:
Joan, is not liking you right now. I do have a question for Joan. In having spoken to Joan, especially over the last several days, she is a fountain of very useful information. Joan, would you share with us, the committee, your thoughts on the recommended policy change as far as providing flexibility on the issuance of new debt and also talk about that in relation with the three plans that have been presented to us today, the refinance plans, as to how they interact with each other and how they affect the County?

MS. SIKORSKY:
I think Richard from CMA very adequately addressed some of those points. One of the pluses that the county has benefited from with the rating agencies has been the speed at which we repay our debt as well as our debt structure. The rating agencies certainly view the County on a whole. They look to our management policy, the interaction between the County Legislature and the office of the County Executive, Treasurer and the Comptroller, that there's a continuity of effort, that there's open communication and there's a plan going forward. They look at out finances, our underlying economic strengths. These are all displayed.

I know we have distributed to the members of the Legislature on an ongoing basis our official statements. Every time we do a financing, we put out that official statement as is required by law. We do our disclosure. We like to enhance our positives. We are obligated to show our negatives, and we're very proud. I'm personally proud of that document. I feel it is a good document and addresses pertinent issues, not just for the rating agencies, but or the analysts in the investment houses who are selling our securities to the public and to the large funds.

We receive calls on a regular basis from a number of these analysts who also are reading the papers, who are looking at what's going on in Suffolk and want to hear from the financial office of the Comptroller what's happening, how are you addressing these concerns and what is the plan going forward. It's our -- certainly our role, I believe Mr. Sawicki's role, who I don't want to speak for Mr. Sawicki personally, to encourage that continuity of effort. So while we have concerns about how the rating agencies perceive Suffolk, the heart of what we're addressing is what is beneficial for this County going forward. How do we leave ourselves flexibility for future refunding possibilities? How do we consider future taxing requirements for the constituents that you represent and that Mr. Sawicki represents? And how can we best address our needs at the moment without failing to see what those impacts might have on future debt service?

So while we're looking at an overall picture, we have been asked to address how a potential refunding might enhance or restrict those future capabilities. We would like to see the Comptroller being given the opportunity for at least the next two years indoctrinating into Suffolk's politics of debt issuances any capabilities afforded us under the local Finance Law, be that level debt service, that does not preclude us from considering the 50% rule, which allows us to escalate the repayment of our debts, which we have done for many years. The weighted average method, with an eye to maintaining future flexibility and future flexibility of this body, the County Executive, the County Treasurer and the county Comptroller in setting future debt service policy to help manage our debt.

Certainly the first plan that was shown to you that is so heavily front-loaded is a plan that gives immediate relief, Gives heavy savings in the early years at a price that has heavy dis-savings in subsequent years. And we don't know what our situation will be in '07, '08, '09, when we see heavy debt service increases. And no one has really explained to me that in seven, eight and nine, we are aware of a heavy revenue stream that is going to enhance the repayment of that debt barring future general obligations that we may have to undertake for future infrastructure support, building of other facilities, etcetera.

In conversations that I had with the Comptroller, that I had with our financial advisor, we were looking to somewhat of a middle ground that might obtain some reasonable savings in a refunding while not hindering us greatly in the future. So it wasn't just what can the rating agencies buy into, which definitely has a place in the discussions, it was what can we manage and what additionally might we be able to do to enhance that. If we went from a $30 million savings in three years and got down to a $14 million savings, what else could we do by managing our debt to enhance it?

In discussions with Richard and Bill and Mr. Sawicki and myself, we came up with the concept of let's do and consider a policy for the next two years that will allow us in our general obligation new money financings to look at the weighted average method and the level debt and enhance our savings in the first three years that we will be able to supplement that.

Now, CMA has run some numbers. They feel when we do normal spring general obligation issue, and when we do our fall general obligation issue that are usually around 30 million a piece that by structuring in that manner, we may be able to save, I believe it was in '05, approximately another $10 million in that year, which will enhance this refunding. We do believe and I think Rich presented it quite well that in restricting the size of the refunding with this de minimus dis-savings in the future years, we leave ourselves with the possibility of refunding other candidates in the future. If there is a rise in interest rates, there will be a compensating rise in the invest rate.

We only have one bite at the apple with an advanced refunding. If we use it now, we lose it later. And the closer we get to call dates, as Rich was trying to explain, the better off we will be. So we as a group support the modified plan. We think it's a good plan. We think is it leaves us with flexibility. It leaves us with de minimus dis-savings. We feel we can sell that on the street to the analyst, to the investment houses as well as receive support of the rating agencies.

We also as every municipality, when you do a refunding, you must go to the state Comptroller for approval. We have gone to the State Comptroller on an ongoing basis when we have gone out to do some reasonably large refundings with our underlying criteria of the 3% net present value savings of the refunding securities, the two and a half times cost of issuance and no dis-savings. We will be going, if we proceed with this, even in the modified plan, with a slightly different set of criteria, because we are establishing some dis-savings. We personally believe those dis-savings to be de minimus. We believe under the current situation that getting close to that 3% will be acceptable to the state Comptroller. We are unsure with the heavy dis-savings as presented in the first plan whether or not we would receive the support of the State Comptroller. That -- I won't say yes, I won't say no. It's an unknown. And I think that basically summarizes our position.

CHAIRMAN CRECCA:
Thank you, Joan. Legislator Lindsay has a question.

LEG. LINDSAY:
For either one of you really. We've heard a lot about if the rating agencies downgrade our rating even one grade or whatever, one grade, what would that mean to us in terms of dollars and cents in '04, rough idea?

MR. SAWICKI:
Dollars and cents, unless perhaps rich could quantify it for us, Legislator Lindsay, but it's pretty -- as far as I know, it's pretty difficult to give you somewhat of an intelligence answer.

LEG. LINDSAY:
In '04, we're going to flow roughly $60 million in bonds; is that correct?

MR. SAWICKI:
Between the two issues, in the fall --

MS. SIKORSKY:
It would be approximately $60 million or so in serial bonds. We will probably do 55, $60 million in D-TANS and

keep in mind that at the beginning of year we do approximately 225 million in tax anticipation notes, supplemented to that would be our rolling Ban Program, the pay-as-you-go issue that was discussed earlier, all of those five year recurring costs infrastructure improvements are being incorporated into what we call five year rolling ban program, whereby, we sell those items short term in order to keep them in that short term scenario to get interest rate savings, then we pay them down in part each year, simplistic explanation, like 20% a year, then renew them at a decreased rate. So the rating would impact those, but I'll let Richard address approximate quantifier for the change of one notch.

LEG. LINDSAY:
Thank you.

MR. SAWICKI:
Legislator Lindsay, one of the serious concerns I have is that once we -- if we ever were downgraded, it would take us a long, long time to get back up, it's a minimum 18 months.

MR. TORTORA:
If I could perhaps just quantify it, we're probably talking hundreds of thousands of dollars in the next fiscal year. Our primary concern is the last several years, probably the last half dozen years, when the County has gone out with this two cash flow borrowings, it has done so on it's own credit rating without going out and getting credit enhancement. It's been able to do that and secure the highest short term credit rating, a MIG 1, from Moody's. Our concern is if the long term underlying credit rating were to go down a notch, that could have implications on the short term rating that we receive for the TAN issues. And if we were to lose the MIG 1 -- the ability to secure a MIG 1 on our own, then we'd have to go out and get enhancement, which could cost us a hundred thousand dollars perhaps. That coupled with the additional interest expense, we could be looking at a couple of hundred thousand dollars between the cash flow borrowings and the bond borrowings just in one year alone.

LEG. LINDSAY:
Thank you.

CHAIRMAN CRECCA:
What I'd like to do is I'd like to move on to the next presenter and hear from then. Then again, at the end, I want to open it up again to questions to all the presenters. So with that, if I can ask the Treasurer to step up, Mr. Cochrane, and I don't know if you want Deputy Treasurer Haley with you. We don't want him, though. Unless you have a cigar for me, Marty, then you should definitely come up.

MR. COCHRANE:
He speaks your language, it's easy for him.

CHAIRMAN CRECCA:
I still have yet to figure out what the language is, John. Thank you for being with us this morning. Again, I'd ask you for a brief presentation on how you view the whole situation and what your recommendations would be.

MR. COCHRANE:

First a moment of levity, some of this reminds me of my early Navy days when we had things like wahoo birds. And the wahoo bird would fly backwards making a big wahoo all the way along. And the similarity of the analogy is that he wasn't sure where he was going, but he had a clear picture of where he had been. And that's what this financial work sometimes is like. We have a clear picture of what happened last year, we're not sure what's going to happen this year.

With that as background, let's talk first about the sales tax. We have the first four reporting periods, and they average a 17% increase over the prior year, that would be 2003. They are substantial numbers. The first reporting period, an increase of 6 million, the next reporting period, 8 million, 2 million, 7 million. I've discussed these with Bob Bortzfield from the Budget Office, and Bob indicates to me, and it's true, that these figures while they are very, very significant and very optimistic, don't include the sales tax that was reestablished on clothing last year and that when we get into the periods of June through the remainder of the year, we may not see such a dramatic increase.

But the message is clear that in Suffolk County, our economy as represented by the sales tax, is very strong and as I say, is not going to, I believe, disappoint us in any way with respect to funds available for the rest of the current year. There is also a matter that is in the responsibility area of our office, which is the -- the tax for the tax stabilization fund. That presently has approximately $82 million in that fund. It's invested at a high rate of yield. One of the uncertainties is when and how and if the Legislature and the County Executive would put any or all of that to use.

But in the meantime, you have $82 million in the tax stabilization fund to take into consideration when you are making your financial plans with respect to bonding. I won't address the bonding issue, because you've heard about very thoroughly. As far as my personal experience Legislatively and in the County, two of the very significant impacts on the County budget, of course, are the Medicaid, which is over 225 million last year, I believe. And the other one being the pension costs. Both of those have been recognized by the State Legislature, and hopefully, this year -- though I have my finger crossed when I say that, because I don't think we've had a state budget on time in the last 19 years -- but the word is this year that it will be a timely budget resolution. Both of the those issues are scheduled to hopefully be addressed; both the Medicaid cost and the pension cost.

I see you have on your schedule today a potential $65 million bond issue to cover amounts above the 7% increase of the pension costs. That pension plan, by the way, and Alan Hevasi was an Assemblyman with myself years ago, and he and I are quite close, as you know the problem behind the pension spike -- pension cost spike was the diminishment as with everything else and anybody personally in corporate and otherwise suffered a financial decline with the stock market investments. And a good number, a good amount of state retirements funds are invested in that retirement plan. It's a defined benefit plan, so it has to be maintained so that all the retirees receive the money on a defined benefit, not a defined contribution.

But when that's reevaluated this fall, I'm sure in forthcoming years, we will hopefully see -- not see this spike in the retirement pension cost, because those investments that were diminished and had to be made up -- and that's what this is all about at the moment -- I believe will not continue to exist in that large of an amount and impose that kind of, you know, pain on the municipalities. We have to deal with it at the moment, but I don't think that's an ongoing on. Brian Foley, I believe and others, mentioned potential mandates coming down, and there probably will be, I can assure you of that as well.

But in some cases, there's good news. I believe good news is that the pension plan investments should have appreciated rather than depreciated going forward into the next two or three years. So with the tax stabilization fund, with the sales tax looking solid, I don't there's such an immediate pressure. And I believe you are very, very wise to take these steps to prepare yourselves -- and I've talked to Bob Bortzfield about this -- to prepare yourselves to have these weapons ready, the refinancing and other things that you may have to do, the bond issue for pension costs. But I do believe in the next 30 to 60 days you will probably see some clarification from the state both on Medicaid and on pension requirements. And that pretty well concludes my comments, Mr. Chairman

CHAIRMAN CRECCA:
Mr. Cochrane, I would certainly -- I think I speak for my fellow Legislators when I say any influence you have over Mr. Hevasi to get pension relief, we would tell you to put into full force and effect. I thank you for coming.

MR. COCHRANE:
I'd be happy to respond to any questions.

CHAIRMAN CRECCA:
We have a question from Legislator Nowick.

LEG. NOWICK:
Thank you for that presentation. I don't know if you can answer this, but since you have been sitting in the Treasurer's Office for quite some time, do you think that the US Open in 2004 -- do you think that --

CHAIRMAN CRECCA:
Do you think you can get us some tickets?

LEG. NOWICK:
Do you think that that will increase our sales tax substantially this year, having been through that in the past?

MR. COCHRANE:
Well, I'd tell you to define substantially, Lynne, but I do know that it will increase it over the expected amount. That US Open is a tremendous draw. Being further out on the Island -- last time when it was Bethpage, we had to share some of the revenues with Nassau County for lodging, spending, etcetera. Having it way out in Shinnecock is a real asset for Suffolk county, because we will kind of have them trapped out there. They're going to be renting, buying, eating.

LEG. NOWICK:

Although it's a one shot, that should help.

MR. COCHRANE:

It's a one shot and it should help, that's why I'm saying that rather than jump at every funding, until you actually see all the whites of their eyes, you are wise to prepare for it, but I would, you know, caution you that we have to take another look perhaps in 60 to 90 days.

LEG. NOWICK:

Thank you.

CHAIRMAN CRECCA:

Thank you. Thank you, John. And I appreciate it, and I ask you to stick around for a little while in case questions arise as a result of all the presentations.

MR. COCHRANE:

I wouldn't miss a moment of them, Mr. Chairman. And thank you both, ladies and gentlemen, for your courtesy and your hospitality.

CHAIRMAN CRECCA:

I would ask Bob -- Mr. Bortzfield, if you come up also and just give us your input specifically in relation to refunding plans that have been proposed here. Would you identify the gentlemen to your left? I really never think of Paul Sabatino to the right anymore. I'm sorry.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

Fred Pollert asked me to extend his apologies for not being able to attend. He has a medical emergency in his family and will not be able to attend, so I'm stepping in as back up. Mr. Bortzfield will make the basic presentation in terms of the budget analysis.

CHAIRMAN CRECCA:

And just so the committee is aware, I did get a call yesterday about the problem, and that Fred wasn't able to be here. Send him our best wishes for a quick recovery for his mom.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

Thank you very much, I appreciate it.

MR. BORTZFIELD:

Just before I get into the -- reviewing the plan itself, I just wanted to clarify since John Cochrane had made statement here regarding that he had spoken to me in regards to sales tax and some other issues. Just on the sales tax issue so everybody is aware, you know, we've already built into the models this year the increases in the sales tax. We realize the Treasurer looking at these is doing a cash comparison of this year versus last year. So it's a large increase. That increase should be there because we're going to have five months of clothing -- sales tax and clothing purchases this year that we didn't have last year.

We built that into the models. We built into the models the increases in the actuals for 2003 in building up our projections for 2004. Our 2004 projections are higher than what's shown in the adopted budget for 2004. These numbers are already in the models, and we are still showing the projected shortfall or over $230 million. So although sales tax is doing well, it's not sufficient to make you the various areas of shortfalls that we're facing in the upcoming budget.

The other issues that was just raised is regarding the available balance in the tax stabilization reserve fund. Yes, there is a very large balance in the tax stabilization reserve fund. However, we are limited by state law as to what we can take out of the tax stabilization reserve fund. We have to show a two and a half percent increase in the tax levy, not the tax warrant, to draw down any funds from the tax stabilization reserve fund. So we're in the position this year the way the budget projection are going that there is a potential for us to be very limited as to how much money can actually be drawn from that tax stabilization reserve fund before -- without having a very substantial property tax increase beforehand.

Back to the financing issues with the refunding. In our -- the County Executive's resolutions that we brought over to address some of the issues we are facing right now, we included what was considered now in this analysis as a front-loaded program for doing the refinancing of the County's debt. That was done for the specific purpose of we are facing such a large short fall in the next -- in the next year. We still stand behind those projections and stand behind that -- that analysis as the type of refunding, because were looking for those type of dollars to help address the problems that we are facing.

Should we have to go the route with the reduced one where this is -- this will not ne palatable to all the parties that are involved regarding doing the refinancing, it leaves us a tremendous shortfall. Based on the numbers they are showing right now and the analysis that was done by Rich Tortora and this group, it only shows a savings for 2004-2005 of about $10 million dollars. The front-loaded savings plan, the refunding plan, showed a savings of approximately $31 million. That leaves us with a $20 million dollar hole right off to start with in addressing the problems that we are facing with the upcoming budget.

So, yes, there are issues with it. We feel it is a reasonable approach to take, to do the financing. We may have issues obviously with the rating agencies, but I think based on an overall package, overall projection and overall plan put together, you know, on the County level to face the problems that we are facing, those issues can be addressed and be addressed satisfactorily and work our way through this. If we don't, then obviously, we have to come up with additional savings elsewhere to make up for the shortfalls in switching plans.

CHAIRMAN CRECCA:

I just wanted to interject. In all fairness to the County Executive, the initial savings plan that was introduced by the Legislature, 1228, also involved a refinancing plan that was more similar to the County Executive's original plan. You know, there was a little bit less dis-savings, but it was still closer to being heavily front-loaded. I would describe it as a heavily front-loaded plan. It's only more recently after some of this more recent information, you know, more recent analysis came to us that we have changed that plan to a more moderate savings plan.

So I just wanted to -- I thought it was an appropriate time to say that. We certainly understand the whole idea, I think so do the financial advisors, of trying to get as much money upfront to help us in four and five to deal with not so much the 2004 problems, but obviously the 2005 potential budget shortfalls. I'm going to -- I'm going to also have Budget Review give analysis. Why don't I do this, why don't I have them give us their take on this and then after that we could -- I would like to open it up to questions for any of the presenters?

MR. BORTZFIELD:
I just --

CHAIRMAN CRECCA:
I apologize. Go ahead.

MR. BORTZFIELD:
On the overall savings on the front-loaded plan that we included in our resolution, is $11 million gross savings.

CHAIRMAN CRECCA:
Over the life of the plan, you mean?

MR. BORTZFIELD:
Over the life of the plan.

CHAIRMAN CRECCA:
That's PV savings, correct?

MR. BORTZFIELD:
No. The actual savings was eight million and change, I believe. I believe the initial plan that was put in -- the legislative plan was actual cost over life of that initial million dollars.

CHAIRMAN CRECCA:
Actually, I believe the plan -- first of all, everyone should understand that it's the type of plan we're talking about, there's still flexibility for the Audit Committee, which will ultimately decide the actual plan and get the best plan. We can't legislate a specific plan but only a policy. But with that in mind, the legislative plan saves, I believe, it's closer to -- it's 5.7 million over the life of the plan as opposed to the ten and change -- I apologize, I take that back, it is 5.7 million as opposed to -- is it ten?

LEG. CARPENTER:
Ten point three.

CHAIRMAN CRECCA:
10.375 million in the County Exec's plan. Understand though also in the legislative plan one of the other

differences, Bob, is that instead of refinancing $279 million worth of our current debt, it only refinances about 155 million of debt. So there's still a hundred million. That's one of the reasons why you see obviously less lifetime savings. We still have the option to refi that other hundred million this year or next year too. But, you know, a valid point over the life of it. Again, I appreciate your comments. All right. With that, I'd ask Budget Review, Jim and Robert, Gail.

MR. SPERO:
Robert's going to present the budget model. We present three scenarios, not one scenario. Just a couple of comments on the debt. The Budget Review Office has consistently counseled against using drastic refinancing plans to plug budget holes. Ultimately, revenues have to be increased or expenses cut to solve structural problems.

Going to Wall Street to solve your problems using drastic financing plans, we don't consider sound financial planning. We have consistently over the years opposed these plans, most notably the tobacco securitization, that was about three years ago. And prior to that was the sewer district refunding plan where they were going to do a massive refunding to stabilize sewer rates. And even going back prior to that, there was the Harry Tyson Tax Map Plan, we opposed that.

So in the long run if you take a long run approach, and I think this is a really important point to the County's finances, you do nothing different than what we are doing today. The only reason these plans are even being discussed was because of a potential budgetary shortfall for next year and a reluctance to raise taxes to plug the shortfall. We are not in a financial crisis. We are going to turn at least the $73 million fund balance we believe for '03. We have been getting some positive revenue estimates into 2003, the $13 million dollars in additional sales tax. We just found out the other day that we are going to get another $11.6 million in additional property tax revenue. And our net Medicaid cost for '03, while increasing on a gross basis, net basis, we save about $1.3 million because of additional revenues coming in.

Now, these will go into the mix when the auditors do the '03 books. And hopefully we may even turn a little higher fund balance than we even projected for 2003. So on page three of the memo I handed out today, in the debt refinancing section, we kind of lay out our position on how we feel about that.

CHAIRMAN CRECCA:
That's the one that's the type written memo?

MR. SPERO:
Right. Keep in mind, if we don't layer on additional debt for 2005, let's say we initiate some of the cost savings initiatives that were mentioned here this morning about level debt or perhaps rolling debt into 2006, serial bond debt service in 2005 will drop $9 million. And the reason for that is the 50% rule as was eluded to earlier, okay? So the 50% rule, while it forces the County to pay debt upfront sooner, it places the County in a very strong financial position, because, like, 80% of our debt is paid off within the next ten years.

[SUBSTITUTION OF STENOGRAPHER - ALISON MAHONEY]

MR. SPERO:
As we resort to other plans like level debt -- that debt gets pushed out in time but it comes at a cost. So I just caution the Legislators to keep in mind that if we do nothing, just keep doing what we're doing, in the long run it's the best thing financially for the County. The reason we're going over these plans is because there's a reluctance to raise taxes to fill the projected budgetary shortfall. Having said that, we'll hand out copies of -- you did? Very good. Robert prepared the budget projection which, quite frankly, I haven't even seen, I'm going to see it myself, and I'm going to let him drive on this.

MR. LIPP:
Thank you.

CHAIRMAN CRECCA:
Don't drive too fast.

MR. LIPP:
I'll take my time. Okay, what you have in front of you is a Power Point presentation, there are 15 slides, and some of you have copies of it. It's going to be broken up into a quick introduction and then we're going to talk about some important considerations and then the projections.

So we've considered a number of scenarios and what we're going to present here are three cases, a pessimistic, middle and optimistic case. We do not explicitly incorporate any cut plans in there such as the refinancing, although it is implicit with some of the discussion that we will have on what the fund balance might look like. First we'll discuss some important considerations and then it's on to the projections.

First, the important considerations that you should be aware of when you're looking at the budget are three big ticket items; number one, the Tax Stabilization Reserve Fund; number two, what fund balances look like; and lastly, the expense items that are expected to show large increases in 2005.

The Tax Stabilization Reserve Fund is a huge issue for the upcoming budget that we have to address and it's a policy issue. The Treasurer spoke about how much money is in the Tax Stabilization Reserve Fund, he was talking about the cash; in terms of the budget there's actually more. If you add the additional sales tax that came in in 2003, the fund balance actually is not -- at the end of 2004 will be 95.9 million. In addition to that, we have projected or remains to be seen for 2004 -- rather for 2005 that an additional $6.8 million in Interfund revenue from the General Fund will be transferred over to Tax Stabilization; that results in $102.7 million total fund balance available for use. That use -- now here's -- this is the important part; the use of those monies are contingent for 2005 on preventing the General Fund property tax from exceeding an increase of 2 1/2%, okay, they cannot be used unless taxes go up by at least 2 1/2%.

Now, the important consideration here is what is the property tax, okay. In recent pasts we have been referring to the property taxes as the property tax levy and implicitly in --

CHAIRMAN CRECCA:

Robert, I don't mean to cut you off. That is certainly an issue, it's an issue that I know that is still being worked on both by the County Executive's Office looking at some of that policy as well as the Budget Review Office and Counsel in both the County Attorney and here. If we could sort of advance -- fast forward just past that issue as to the use of the Tax Stabilization Reserve.

MR. LIPP:

Okay.

CHAIRMAN CRECCA:

It's certainly a major issue and I'm not trying to cut you off, but I know that we're still in discussions on that. We know it's available and there are some questions about how much or if we can use all of it, some of it or how much of it. So I would ask you to just fast forward through that.

MR. LIPP:

Okay. Next in terms of fund balances. One of the important issues coming into 2005 will be for 2004 we have adopted the General Fund budget with an unprecedented surplus of $73.3 million. A surplus of that size isn't likely to materialize again and therein lies a major problem moving forward with the 2005 budget, to try to make up for that $73 million. Just to give you a little perspective about fund balances in the General Fund, we looked at the last several years since 1997, the smallest fund balance in that period has been 11.4 million, so there's hope that we will generate some fund balance, and the largest obviously is this $73 million. The average over that period has been 47.4 million and the second lowest, second to the 11.4 million was 34.8 million, so now you have an idea of where fund balances are going.

In the Police District, we adopted the 2004 budget with actually a shortfall that we had to make up, therefore our taxes were higher, other things being equal, by $3.9 million, there was a $3.9 shortfall in the Police District. If you look at the Police PBA Arbitration award, the 2004 budget could be short by perhaps as much as $9 million.

Now, for large expense items that are expected to show up in 2005, as has been spoken about to some extent here, retirement or pension costs, Medicaid and health insurance. In terms of retirement or pension costs, this represents the largest projected cost increase for 2005, everything else pales in comparison. If there's no relief from the State, we're projecting that retirement costs for 2005 over the 2004 budget will be $27.1 million increase in 2005 in the General Fund, 37 and a half million dollars in the Police District. If we get some pension relief -- and there is, you know, somewhat of guesswork in terms of what that will exactly look like, but one plan that we're looking at in the form of like a compromise position between the Governor's proposed budget and what the Comptroller is likely to offer, we would think that the increase -- we would lower the 2005 increase to only an $8.3 million increase in the General Fund and $20 million in the Police District. What's the point? The point is we need to try to assure by going up I guess to the Governor and to the Comptroller and get pension relief if possible, it's a big nut. And then if the Governor's proposal is enacted then we would be doing even better.

Next, Medicaid. Second to pension problems, we're projecting that Medicaid costs net of revenue that's associated with Medicaid would increase by 29.6 million in 2005, this assumes that some of the reduction in Medicaid costs over the last year and change have occurred because the Federal government has given us some assistance called FMAP, but that's scheduled to be discontinued at the end of June of this year. Should FMAP continue then the projected increase, instead of 29.6 million, would be 20.5 million; and that doesn't include any State relief, this is just the federal aid that could be on top of that. And by the way, we issued a memo written by our new DSS analyst yesterday on the Medicaid issue.

Lastly, health insurance. As you might be aware, health insurance costs have been going up for everybody, private sector, public sector, and it's likely to go up, perhaps in the 11 to 13% range which would result in the General Fund increasing for 2005 in terms of health insurance by anywhere from 10.7 to 12.6 million and the Police District going up by six to 7.1 million.

So these are the large increases which set the table for, okay, what do the budget projections look like. Budget projections are a fluid constantly changing thing, it's a work in progress on our part, we're constantly refining it. With that being said, let's look at the pessimistic case.

The pessimistic case includes, in our view, the unlikely scenario that Tax Stabilization Reserve will not be tapped at all, that there will be no fund balance generated at all in the General Fund and that there will be a shortfall of 12.9 million in the Police District. And the 12.9 million is basically nine million associated with a shortfall from the PBA award and on top of the current 2004 $3.9 million deficit there. So adding all those ugly things in and other pessimistic conditions -- we could talk forever about what the other assumptions are but that would take too long -- you would wind up with an overall combined General Fund and Police District at $222.8 million deficit -- rather property tax increase. So here to put things in perspective, the Executive's Budget Office is talking about 235 million, we're talking about 222.8 million. What's the difference? Splitting hairs in the size of a budget this way. Is our number significantly different than theirs? No, with the obvious exception, though, we're talking about pessimistic case with assumptions that we don't think are that likely. So this is sort of like, you know, worst case scenario.

Just to give you a feel for a couple of changes with fund balance and perhaps Tax Stabilization Reserve, if a plausible $30 million fund balance is generated in the General Fund instead of zero and if a shortfall in the Police District is reduced from $12.9 million shortfall to a $5 million shortfall, the tax increase combined funds would drop from 222.8 million to 182.9 million, okay. On top of that, if -- and this is a clearly policy decision -- if Tax Stabilization Reserve, under this pessimistic case with a better fund balance, was completely tapped in our definition of draining the entire fund, you would still wind up with a tax increase of $80.2 million.

Now for the middle case. Under this scenario we include pension relief, that represents a compromise between the Governor and Comptroller's position. An $11.4 million fund balance in the General Fund which happens to be, by the way, the lowest fund balance since '97, and an $8 million shortfall as opposed to 12.9 in the Police District. Under this scenario, the problem would be $138.6 million, that's the property tax increase.

A little more in the middle case scenario, if we use the Tax Stabilization Reserve Fund, we could reduce in our estimation or definition of Tax Stabilization Reserve, we could reduce the General Fund tax increase to $1.35

million which represents the 2 1/2% increase, and we would still be left with not a zero fund balance in Tax Stabilization Reserve but a almost $20 million fund balance there at the end of 2005. And the overall tax increase would stand at that point at $55.6 million. Again, at this point the Legislature, assuming we're at the $55.6 million figure, at this point the Legislature and Executive would face a policy option of whether or not to transfer more sales tax to the Police District in 2005.

For this year, we have given the Police District $22.7 million. We have discretion to give anywhere from zero to the Police District to a full quarter cent; in the 2004 budget a full quarter cent represents $60.9 million, that's the Water Protection Program's Quarter Cent, that's where that number comes from. So should an additional 19.7 million that is the remainder of the monies from Tax Stabilization, effectively that's where the number comes from, if we decide to transfer $19.7 million more in sales tax to the Police District, then what you would wind up doing is lowering the Police District property tax to 34.6 million and have an overall property tax increase of 36 million even. If a plausible, larger fund balance than we're assuming in the middle case scenario existed, then we could further reduce the tax increase below 36 million.

Lastly -- last side, hey, we're getting there -- the optimistic case. In the optimistic case our assumptions include, and this is optimistic now, pension relief as proposed by the Governor, a $34.8 million fund balance in the General Fund which I think is highly doable, and a zero fund balance in the Police District which is possible if we cut back perhaps on things, but I'm not sure, if we cut back on things like purchasing of cars and stuff like that, under those types of scenarios. Under those conditions and other more optimistic conditions than we have in our other projections, we would wind up with a General Fund property tax increase at the same $1.35 million as above, and we would be using some Tax Stabilization Reserve Funds to get down to there but we would remain with a fund balance in Tax Stabilization Reserve of $85.4 million. The Police District tax would still increase to a somewhat more manageable 31.7 million, overall in the optimistic case a $33 million property tax increase.

Lastly, should we choose to transfer about 10 million less than a full quarter cent to the Police District, we could -- and use more Tax Stabilization Reserve money, what we would wind up doing is we could totally eliminate in the optimistic case any increase in taxes in the Police District, keep the General Fund tax increase, the $1.35 million, and at the end of the day wind up with a fund balance in Tax Stabilization Reserve that would be about $31 million. The end.

MR. SPERO:
What Robert's presentation shows is the tremendous amount of uncertainty we still have in trying to come up what with what's going to happen in the '05 budget and the range of possibility within which the budgetary shortfall might be.

CHAIRMAN CRECCA:
Yes. I'm going to go to Legislator Bishop; Bishop, did you want -- Legislator Bishop, did you want me to bring up the other presenters from this morning or just BRO?

LEG. BISHOP:

No, I just want to ask BRO.

CHAIRMAN CRECCA:
Okay, go ahead.

LEG. BISHOP:
I'll be brief. I've been trained by Budget Review in the more than ten years that I've been here to be pessimistic first and be pleasantly surprised later on if things break our way. So is the negative scenario the type of number that I'm looking for and the type of number I'm looking for is one that doesn't assume any changes in policies, because I think it's, you know, a dangerous projection to project compromises and legislative action. So assuming all current policies continue to exist and taking into account current trends, is that the negative number that you've posted or is there another number?

MR. LIPP:
Well, it's a bit hard to respond only because there are a lot of other assumptions, for instance, what is growth in sales tax going to be, things like that. So that the pessimistic assumption is something that could happen but we do not think it is likely at all.

LEG. BISHOP:
All right, here's what I'm asking you, Robert. Current laws stay the way they are, no compromises between Governors and Comptrollers that we have no idea what's going on up there, everything stays the way it is. You're the economist though, I trust you to project trends on sales tax and other economic issues, but leaving aside the political issues and assuming they stay exactly as they are, what's the number?

CHAIRMAN CRECCA:
If I can just -- no, just to clarify your question. And you're assuming with what they're projecting is sales tax growth and all the other things.

LEG. BISHOP:
Yeah, economic projections I leave to you, what I'm saying is political projections stay away from. And what is the number? No local policy decisions, no Albany policy decisions, that will be decided by politicians, for better or worse, and what will be our number then?

MR. LIPP:
I'm going to hedge my bets on that, I'll try to give you a response but understand the following. For instance, let's say there's no cut plan adopted, for argument's sake, okay, which would be a policy action.

LEG. BISHOP:
Right.

MR. LIPP:
The Executive still has the ability to control the -- does have the ability to control the purse strings and to whatever extent he wants he will wind up generating fund balance surplus and keeping costs down. So all of

those things have to be implicitly included as to what you project expenditure increases to be, so it's an interrelated thing, it's not a simple thing. We could do a scenario where we think what a high probability fund balance would be and leave out any pension relief, any additional aid in terms of Medicaid, that kind of stuff, we'd have to rework their numbers but I'm sure it would be under a $200 million nut perhaps, a hundred, $150 million range perhaps. But that's just -- it is a broad range? Yes, but without working the numbers off the top of our heads, that's where we have to start. But we could structure something like that specifically, though.

LEG. BISHOP:
All right. Again, I'm --

MR. LIPP:
I'm not trying to be evasive.

LEG. BISHOP:
Well, I think you are because you're projecting on the Executive's management techniques? It just -- using the budget numbers that we adopted and assuming that the budget is followed as adopted and assuming no changes in policies, what would be the number? That would be the starting number. Of course there will be decisions made here and in Albany that will widdle that number down and I understand that, but I just want to get to the starting point --

MR. SPERO:
Well, our pessimistic scenario assumes two major assumptions, no Tax Stabilization Reserve, no positive fund balance for 2004; completely unrealistic assumptions. And we have -- the '03 fund balance comes in at 73 million and not higher, so that puts us at the 222 number.

LEG. BISHOP:
Okay.

LEG. LINDSAY:
And no Medicaid.

MR. SPERO:
But that's the -- we don't think -- quite frankly, we don't think either the pessimistic or the optimistic scenarios are the likely cases, they are the range in cases.

LEG. BISHOP:
I understand that. I'm just trying to establish where we start the dialogue, and to me you start the dialogue with I guess the term from that guy {recidivus paravus} (ASK BISHOP); all things staying the way they are, what's going to happen?

CHAIRMAN CRECCA:

I have Mr. O'Leary next; is it directly on this, though, Legislator Lindsay?

LEG. LINDSAY:
Yes.

CHAIRMAN CRECCA:
I'm going to exercise the power of the Chair and just give Bill an opportunity, it's a follow-up to a question, at the expense of ticking off Legislator O'Leary.

LEG. CARPENTER:
Don't do that.

LEG. LINDSAY:
Jim, isn't that what the pessimistic is, though, it assumes no relief from Albany.

MR. SPERO:
That's right.

LEG. LINDSAY:
Assumes nothing in Medicaid, nothing in pension relief, no fund balance, no tapping the reserve funds.

MR. SPERO:
Everything goes wrong.

LEG. LINDSAY:
Right.

MR. SPERO:
In the optimistic case, everything goes right.

LEG. LINDSAY:
I know, but isn't that the answer to Legislator Bishop's question?

MR. SPERO:
I think, yes.

LEG. LINDSAY:
Is the pessimistic is worst case scenario?

MR. SPERO:
The absolute worst case scenario.

LEG. LINDSAY:

That's all I want to know.

MR. SPERO:

But an unlikely case.

CHAIRMAN CRECCA:

Okay. Legislator O'Leary.

LEG. O'LEARY:

Yes, that was more than two seconds, Bill.

LEG. LINDSAY:

I'm sorry.

CHAIRMAN CRECCA:

He's a member of the committee, so we have to give deference to --

LEG. O'LEARY:

He's a member of the committee, so I have absolutely no problem deferring to a member of the committee.

CHAIRMAN CRECCA:

And Vice-Chair.

LEG. O'LEARY:

And the Vice. I just want a little bit of a clarification in my mind. In order to tap into the Tax Stabilization Reserve Fund, that would require a 2.5% increase in the tax levy; that's correct?

MR. SPERO:

Yeah, that's what State -- State law requires a 2 1/2% increase in the tax levy.

LEG. O'LEARY:

Right.

MR. SPERO:

We make a distinction here in the County between the tax levy and the tax warrant. This is a distinction made because of the budget cap laws, State law does not make that distinction.

LEG. O'LEARY:

All right. So if we opted for tapping into the Tax Stabilization Reserve Fund, then before that can occur we have to have a 2 1/2% increase in the tax levy.

MR. SPERO:

In the General Fund.

LEG. O'LEARY:

In the General Fund.

MR. SPERO:

It can only be used for General Fund purposes.

LEG. O'LEARY:

And that would generate, by this report, 1.35 million in additional monies? Now, what does that equate to, what is the breakdown on that in an actual increase to the property taxpayer? Dollar figure, not the percentage.

MR. LIPP:

Okay, bear with me; $2.44 per homeowner.

LEG. O'LEARY:

And that's on an annual basis, 2.44.

MR. LIPP:

Yeah. In other words a $1.35 million increase in the General Fund property tax would equate to the average property homeowner to an estimated increase in their tax bill of $2.44. And actually 2005 is likely to be slightly less because of increase in tax base.

LEG. O'LEARY:

All right. So it's your statement that for us going to the option of tapping into the Tax Stabilization Reserve Fund, a 2 1/2% increase in the tax levy will amount to $2.44 to the general populous?

MR. LIPP:

Based upon our definition of the tax levy; do you want me to elaborate?

LEG. O'LEARY:

It's clear in my mind, $2.44, that's very clear. All right, thank you very much.

CHAIRMAN CRECCA:

I'm going to go to Legislator Foley next, but just to add my own comment at this point to try to keep the dialogue moving forward.

I would just -- you know, obviously everyone acknowledges there is a problem or a potential budget shortfall, it's just the degree of it; either way we still do have to address some of these issues regarding the budget cuts.

Legislator Foley.

LEG. FOLEY:

Thank you, Mr. Chairman. And I just wanted to put on the record to thank Budget Review Office for responding to my memo of last week that I had sent to the Chair of the committee that laid out a twofold request. One was to have a comparison and contrasting the executive Majority Conference resolutions, which you've done, Jim, in this memo. And secondly, to finally have, after two-and-a-half months, finally have in writing from the Budget Review Office a detailed description of the potential magnitude of the problem, Mr. Chairman, that we have been discussing and debating as a theoretical concept. Now that we have this in writing, in report form from the Budget Review Office, we can now make some judgments, either today or by the end of the month.

And I would just end by saying that this is something that the County Executive has been speaking about for these many weeks, some have questioned his numbers, some have questioned whether there was really a budgetary problem involved or whether he was inflating the budgetary rhetoric. I think today's budget report given to us by the Budget Review Office clearly shows that what the County Executive had stated earlier in the year and what we now know, there is a serious budgetary issue that we have to confront. And it's my hope and expectation -- reading in the papers last week and I read some very encouraging words from the Presiding Officer, that he wants to by the end of this month try to put together what I would call a bipartisan as well as a cross institutional support from both the County Executive as well as this Legislature where we can come together by the end of the month to come up with a resolution, slightly different than what's being proposed by the Majority Conference, slightly different than what's being proposed by the County Executive, but something that we can all agree on so there can be a consensus on this.

What's important about today is that we finally have in writing what the true magnitude of this particular budgetary problem could be. So I hope that we can have a bipartisan support, not only in the Legislature but also have both institutions, the Executive and the Legislature, on the same resolution of an amended form at our General Meeting at the end of the month. So I thank the Chair for the time of this non committee member to make my point. Thank you.

CHAIRMAN CRECCA:

You know, Brian, I just -- I'll just add to that that over the last several weeks I and also the Presiding Officer, and Deputy Presiding Officer Carpenter I know also has too, met with the County Executive staff including Deputy Pollert and Mr. Sabatino and other staff and we have been working cooperatively. And just so you're clear and so everyone is clear, I've said this privately to people and somewhat publicly, but we're working cooperatively with the County Executive. We all acknowledge there's a problem, we may not agree on the exact magnitude of the problem but we all know it's significant. Budget Review has been pretty forthright that they've been working on their model and giving this range of numbers for a long period of time. So I don't fault them for taking the time to issue a report so that they could get the numbers straight.

But just so you understand, too, this is not about and never will be about doing -- you know, taking credit or press conferences and things like that, it's about making the best choice for the Suffolk taxpayers. And I know that's supported by the County Executive and his staff and his budget people, it's certainly been the mission of our

Budget Review Office and I know is the mission of every Legislator here, regardless of which side of the aisle they're on, and we will continue in that vein and make the decisions that we believe are best on an individual piece, you know, policy decision making legislation.

LEG. FOLEY:
Thank you.

CHAIRMAN CRECCA:
Legislator Binder. I'm going to just let the committee members know, and the non committee members too, at this point if you have questions let's air them out and get them from any of the presenters. If it happens to be for one that is not currently front and center, we'll be happy to drag them up.

LEG. BINDER:
Thanks. The first thing I'd like to do is, Robert, thank you because I really appreciate the time and effort this must take. To present multiple models takes a long time, this is not a product of five minutes work, let me just kind of put a couple of numbers together and see what we come out with; these 15 slides are obviously many, many hours of work put together. And I think the importance here is that we have been presented with multiple scenarios, that's the responsible thing to do and that gives the Legislature the opportunity to get a clear picture of the range of possibilities as well as the range of options that we need to consider to deal with it.

I mean, I take a little bit different approach than Legislator Foley in that I was concerned that the County Exec model that came out when it did was only one model and it was the pessimistic model. The model basically is more extreme in terms of costs than our most pessimistic and we're hearing from our Budget Review Office that this is unlikely, this is so extreme that it's unlikely. So what was presented as the problem, it wasn't presented as a possible problem, it was presented as the problem by the County Executive as the problem that the County faced of $240 million, it doesn't seem that that really is not only -- it's not likely, it seems to me extreme, a very extreme statement. But with extreme statements often there can be a silver lining and the silver lining is that people are moved to action and so maybe that's what moved everyone into action, is that that's such an extreme pessimistic case presented as the case that's going to happen, you know, that the sky is actually going to fall in 2005.

It would seem to me, and I guess from Budget Review -- there's a real mix, you go through all the way to the middle case. The most likely scenario, what I'm getting, it's not just -- it's kind of a mix, it's not even middle case, it's not the worst case, it's not the best case, there's a mix. And the most likely scenario that we're going to end up is it would seem to be somewhere in the hundred, low $100 million range; is that reasonable from the time and effort you've put into it, the information you have in Budget Review, the things you've heard the, discussions you've heard? I know you're not equipped to tell us what the politics are but you hear the discussions like we do, we know there are two proposals, we know in the end people come up with compromises, they don't -- they're not looking to stick it to the County, at the same time they're concerned about State finances and how far they're going to go. As a general thesis, are we talking about the low $100 million range, is that -- and using, let's say, without depleting totally the Tax Stabilization Reserve Fund, using some of that, using kind of across the board everything, is that what we're looking at?

MR. LIPP:

Yes, I think that the -- although you could argue, you know, what the mix of just straight budget versus policy options are, the middle case of the 138.6 million shown up, that is probably the more likely case. In addition to that, you then have the policy options of using potentially -- which you need to discuss as a Legislative body and the County Executive too -- to use Tax Stabilization Reserve. And then, of course, there's the policy option of to what extent you want to provide more funding in terms of sales tax to the Police District, and then in theory you could lower it to a much more reasonable level, but even with the middle case scenarios you could see on slide 14, even if you use up all your options you're still probably looking at the same issue as we've had for several several years now, that actual issue being that when it comes to property tax increases the problem is the Police District and in the past the General Fund has been able to bail it out but not the case, it appears, this year.

LEG. BINDER:

Now, give us an idea of the magnitude of the problem. If we're looking at the middle case scenario which is the most likely case, in terms of past years, in terms of, you know, the two plus billion dollar budget, in terms -- in general terms, you know, we are red alert, high alert, middle alert; in terms of how dangerous the problem is to the County's finances --

CHAIRMAN CRECCA:

It's orange.

LEG. BINDER:

-- in that scenario, compared to other years.

MR. SPERO:

The problem for the County's finances is really based on what your taxing policy is, what your threshold for pain is in raising taxes.

If you have no threshold for pain and you're willing to raise taxes to fill the gap, well, then there's no problem, you'll raise taxes, the gap will be filled and you don't have to worry about cut plans or doing debt refundings or any of those issues. So to the extent you don't want to raise taxes, then that's the magnitude of the problem.

Now, I have said several times, the Achilles' Heal in the County's finances is the fact that our General Fund tax levy is so inordinately low to support a one point three or four billion dollar General Fund, it's $53 million, it's ridiculously low. And unfortunately over the years we have kept lowering it, the Legislature has had the opportunity to lower it and has lowered the taxes. Now to bring it backup to a level that may be needed to support General Fund expenses based on the mandates that the State is sending down and the pension problem and health costs, etcetera, it becomes very difficult to raise the revenues you need to plug the gap. So to the extent you want to take corrective measures to mitigate the potential tax increases, that's the extent of the problem you face. What's your threshold for pain in raising taxes? If there's no threshold for pain in raising taxes then you have to tax very drastic measures to contain costs and/or increase revenues.

LEG. BINDER:

Right. Well, we also have to understand that raising taxes effects the economy, it effects the economy, also that effects the budget and it effects our ability to take in revenues. I mean, that's -- so there's a macro effect to raising taxes also.

Let me ask in terms, Bob, with your plan on the front loading. One of the questions that was asked repeatedly, or they said would be posed by the rating agencies the question that would be asked and they repeated this question a number of times, was where would you look to make revenues for those out years? They're pretty hefty numbers, 12 million, 11 million, 10 million, in those out year losses and dissavings. We're going to be asked that question, is there something on the horizon that we know in 2007, 2008, 2009, is there something we know that's going to come in that we're going to be able to cover that with, because we're going to be asked that question; do we have an answer to that question?

MR. BORTZFIELD:

We don't have an answer at this time. Obviously it will impact the entire Capital Programs, now and into the future, as to what is included in the Capital Programs, the methodologies for borrowing for those Capital Programs. We feel, however, once the -- especially the pension cost area is brought up to speed where we're leveling off what we're paying into the pension funds and have built that into the base, it gives us obviously a lot more flexibility in future periods where we're not facing these dramatic increases on an annual basis. We still have other areas that would be where we still have that but that can or may be addressed regarding Medicaid, regarding Employee Medical Health Plan.

LEG. BINDER:

But my concern is aren't you or weren't you concerned when you suggested this, when you handed us this document, that this is how you wanted to do the refunding, was there a concern on your part that you didn't have an answer to this question, that the rating agencies would ask the question and could very well downgrade us because we couldn't answer the question and, you know, have Wall Street having a lot less confidence in our borrowing ability?

MR. BORTZFIELD:

The concerns are there, but based on the circumstances that we're facing it was weighing the options between what is available now versus the future periods and have to work towards addressing those future periods. Remember, making the additional cuts and what have you is part of the overall plan, not just looking at the refinancing for now but for future, also addresses future cost increases by reducing your base along line in areas where you can, where you have more discretion.

LEG. BINDER:

Now if your model, if you had multiple models instead of just the 240 million or $235 million model but you had a model like a middle model that said 110 because you had some other things in the mix and you looked at these other questions, if you had a model that said we were closer to 100 million than 235 million, would you then also feel that you wanted to go to the market with the inability to answer? Is this 30 million as important to you if you thought that it was more likely that we were towards 100 million? Because you said the reason you waited, I mean, 235, 240 million versus -- and our need for that 30 million, if it was significantly less, towards 100 million, would you have the same -- would you feel the same need to go in, walk into that and say, "Sorry, we don't know how we're going to do it but we want to do front loading anyway"; would you feel the same?

MR. BORTZFIELD:

I would imagine our projections, our analysis of what we do could be modified. Just looking at the numbers that you have right now just on the State side, a lot of our problem of the 230 million is between two issues, between Medicaid and pension costs. If there's substantial satisfaction in those areas on the State level coming down giving relief to the County, that has a potential for dropping things. But it's not something you can just say, "We're not going to worry about that problem because it's automatically going to take care of itself," you know, we're unable to do that.

LEG. BINDER:

No, but the question really is then a question of timing; the Treasurer brought up and the Comptroller to some degree the question and that is one of timing. If you run out there and do something like this now because you don't know what's going to happen in the future, when we still have time, you know, before we do a refunding you still have time to do it, we run out to do the refunding now, find out that we do get some of the relief that's possible, some of scenarios, pension relief, not total, something in the middle, the Governor's and Mr. Hevesi's, you know, and maybe we get some Medicaid -- maybe we'd get a couple of things. But if we do this now, we have to walk into the rating agency and say, "Sorry, we don't know where this $75 million is going to come from to fill the out years," yet if we get the relief and we're towards the 100 million we didn't have to do it.

My concern is it doesn't seem to me to be prudent in terms of timing and severity when we don't know, when we still have the question marks, we're acting like, "My gosh, the sky is falling," but we're really not sure if it is and we're acting upon it when it doesn't seem to me that we have to act right now on that particular thing, puts us in a bad place.

MR. BORTZFIELD:

A lot of the actions necessary right now is mostly the authorization, refunding doesn't have to take place overnight, it's setting up the actual authorization to be able to do any type of refinancing, it's going to require to go out to RFP. We may have some answers, you know, subsequent to it actually happening to do it and it could be changed, it could be adjusted based on subsequent issues coming up and being satisfied. But right now, I mean, you have to plan now, you have to act when the market is right, when the rates are still low and set up the procedure, set up the authorization to be able to do the type of refinancing and refunding now to be able to provide you a savings soon enough to be able to impact for this year.

LEG. BINDER:

My comment is just that this is very extreme without the information to propose this and then say this is how much our savings plan will have based on our lack of knowledge. And I'm concerned, you know, that we even -- that we would go out there with the 2 1/2% present value savings and that kind of up front, not having answers on the back end. So that's my concern.

CHAIRMAN CRECCA:
I'm going to go to Legislator -- Deputy Presiding Officer Carpenter and then we're going to go right into the public hearing which I only have one card for right after that because I'm concerned about the time that has lapsed between the advertisement and the actual public hearing itself. So with that, DPO Carpenter.

LEG. CARPENTER:
Thank you. I will attempt to be brief. I really was delighted, I guess it was Mr. Tortora, when he said what our bond ratings are. And to hear that we're sitting there with A2, an A and an A+, and if anyone read the article in Newsday yesterday, our County to the west is trying the get to that point. So I think we need to look at what we have accomplished in the past.

Bob, my question is to you, and as Legislator Binder was saying, I am really concerned. And you seem to be sticking with that $230 million number as the shortfall, the worst case scenario as Budget Review paints it, although there's an $8 million swing between what we see as the worst case scenario. Do you even entertain the fact that that could be the worst case scenario and things are not as drastic as you're painting them?

MR. BORTZFIELD:
We're hoping very much so, and obviously when we put in the resolutions to address the problem we put it in in phases to address what we can. What we could do with discretionary expenses, revenues, we addressed as -- you know, as directly as possible, we had the other resolutions regarding hopefully relief on the State level, on other resolutions on a strict policy level, you know, than on the County.

We have a feeling it may get a little worse before it gets better, we're hoping very much that it gets better, but it depends on so much outside impact to make this that much better. Even if you reduce it by $100 million, that's still $130 million problem that you have to address.

LEG. CARPENTER:
However, the two plans -- if you look at the heavily loaded plan that you're proposing as opposed to the more moderate one, you're talking about a difference of $20 million, so you said yourself that there would be issues with the rating agencies. So with an overall swing of $20 million, do you think it's worth the risk and how would you see addressing those issues with the rating agencies when you're looking at those out years that are totaling over $70 million worth of dissavings.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:
Could I just interject an answer? I think I might be able to give the broader picture. First of all, the $230 million calculation was done in January. The reason it was laid out and generated a resolution that dealt with about a $95 million local solution is because when you deal with the State Legislature, we're asking for about $140 million worth of relief, the one thing you can't do is take them for granted. So to make an assumption that $140 million of savings are going to materialize simply because everybody recognizes there's a problem we thought was dangerous strategy. And quite frankly, when we went to the State last week we found that the State Legislators

that we met with were impressed by the fact that at least something was being put out there in terms of substantial savings at the County level. So the $90 million was to show a seriousness of purpose to the State. The $140 million of relief that we're looking for, we hope that it materializes, but you don't want to take them for granted and just say to them, "Well, you know, it's going to happen and we're not doing anything at the local level." So that's why we're using the worst case numbers as the starting point because if you use what Budget Review uses as the starting point of $130 million, you're presupposing that somebody else is taking action and solve the big part of your problem and you're left with $130 million. And also, to put it in context --

LEG. CARPENTER:
Let me just --

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:
Just to put it in context, the $130 million, okay, in Bob Gaffney's first year we fought and struggled over about 70 or $80 million worth of a problem, you know, Pat Halpin's first year we fought over $41.3 million. So even if you're left with $130 million, it's a huge number.

LEG. CARPENTER:
But my point was and, you know, my question was are you entertaining that there is something other than the worst case scenario, and obviously you are if some of these things go into place. But do not presuppose that we are not, you know, willing to move forward with some savings, too.

But my question to Bob, and that's what I want an answer to, is that you said that there will be issues with the rating agencies when you're looking at those $70 million plus of dissavings. How do you plan on addressing that when you sit down with them?

MR. BORTZFIELD:
The bigger issue we're going to have with the rating agencies is how we're going to address the $230 million shortfall.

LEG. CARPENTER:
If they accept that that is, in fact, the shortfall.

MR. BORTZFIELD:
Right. The up front loaded savings plan has an overall savings across the life of that program of $11 million. Yes, there's dissavings in out years but there's substantial savings in the early years, but the overall refinancing saves the County money, saves the County $11 million. So yes, it's going to be an issue, it's going to be a timing issue, we're going to have to come up with rationale to support it as to how we're going to cover the out years plops (sic), but without addressing your current problems.

LEG. CARPENTER:
But Bob --

MR. BORTZFIELD:
You can't address the out years.

LEG. CARPENTER:
-- you sat here through those presentations this morning and the moderate plan showed a savings of five to $6 million as opposed to the eleven that you're talking about. Do you think it's worth the risk for that bottom line number of five million to subject us to a downgrade with the rating agencies by coming up with $70 million worth of dissavings and not having a plan on how you're going to address it?

MR. BORTZFIELD:
Okay. Well, the moderate plan came up with a two year savings of apparently $10 million. The front loaded plan comes up with a two year savings of $31 million, we built that $31 million into our savings plan. We could be supportive of the moderate plan --

LEG. CARPENTER:
Oh, that's good.

MR.BORTZFIELD:
-- however, we have to come up with an additional $20 million --

LEG. CARPENTER:
That's good to hear.

MR.BORTZFIELD:
-- $21 million to make up for the shortfall based on current conditions.

LEG. CARPENTER:
Well, I think it's important to hear you say you could be supportive of the moderate plan. Something that was said earlier by Joan from the Comptroller's Office was that rating agencies look at the whole picture and I think that's what we have to keep in place. They look at the fact that both the Legislative Branch and the County Executive's Branch are working together and that is something I think we're all in agreement with that we're trying really hard to do, so that was an important thing you just said. Thank you very much.

CHAIRMAN CRECCA:
Thank you, Legislator Carpenter. And we will return to this question and answer period, but I do want to proceed with the Public Hearing Regarding IR -- hold on, I lost my agenda -- Regarding ***Introductory Resolution 1229-04 - Adopting a Local Law, a Charter law to establish Cost Effective Policy for Early Retirement Incentive Programs for eligible employees of Suffolk County.*** And I have one card and that is from Ann Abel from AME. Ann, as they say on The Price is Right, come on down. You could use either the podium or feel free to sit at the table, just make sure the microphone is on. You have five minutes. And thank you for being patient.

Before I start and proceed with the public hearing officially, I would just ask the Clerk's Office, Ms. Stark is it?

MS. STARK:
Yes.

CHAIRMAN CRECCA:
Were the affidavits properly -- do you have affidavits attesting that this was properly published?

MS. STARK:
Yes.

CHAIRMAN CRECCA:
Okay. That's just something official I've got to do. Please proceed.

MS. ABEL:
Good morning. And as the only speaker here, I promise that I'm going to make this very short; actually it is good afternoon at this point. My name is Ann Abel and I'm here today as the Treasurer of the Suffolk County Association of Municipal Employees. I wish to address the establishment of a policy for Early Retirement Incentive programs. I understand the desire and the need to stabilize the County's fiscal condition, the impact of the last incentive is still being felt throughout the County.

Our County workers are having to do more to compensate for the staffing shortages that resulted. Unfortunately, downsizing sounds like a great cost effective way to save money in the salary line, but in reality it causes an increase in overtime and results in work loads that are often not covered which could result in a liability to the County and even a loss of County revenues.

AME has always advocated for retirement incentives for its members in consideration of their many years of dedicated service. AME will continue to advocate for incentives when there are backfilled positions so as not to cripple the work force to any greater extent. I caution you to be mindful of the fiscal impact of a prohibition of retirement incentives until 2010. With the possibility of numerous employees opting to set their sites on 2010, the County could again see the same results as the last incentive with a large number of employees opting out. We could see ourselves again not backfilling positions in an effort to meet the projected savings. I urge you to always entertain any proposals for early retirement and carefully analyze the fiscal impact at that current time keeping in mind the future implications of bipassing any incentive. That's all I have to say.

CHAIRMAN CRECCA:
Thank you very much and, again, thank you for your patience. Are there any questions from members of the committee?

LEG. BISHOP:
Are we doing the agenda?

CHAIRMAN CRECCA:

Just the public hearings right now.

MR. SPERO:

Mr. Chairman?

CHAIRMAN CRECCA:

We will hopefully shortly be going to the agenda.

MR. SPERO:

Mr. Chairman?

CHAIRMAN CRECCA:

Yes.

MR. SPERO:

Just a point of information. We have completed an analysis of the last early retirement plan which was issued yesterday and is in the Legislators' mailboxes and one of the key highlights is that how the last plan did not save the County money, so. Lance did a really nice job in outlining the entire issue.

CHAIRMAN CRECCA:

I would certainly encourage my fellow Legislators to review that fully. Thank you, Jim.

I have no other cards for IR 1229-04. Is there anybody from the public who wishes to speak? If not, I will make a motion to close the public hearing, seconded by Legislator Nowick. All those in favor of closing the Public Hearing Regarding IR 1229-04?

LEG. BISHOP:

Is there a public hearing at the General Meeting; no, right?

CHAIRMAN CRECCA:

No, it was scheduled for here, it was set for here.

LEG. BISHOP:

I will oppose.

CHAIRMAN CRECCA:

Okay. All those in favor? Opposed? I have Legislator Bishop opposed and that's it, so it's 4-1.

LEG. BISHOP:

Five.

CHAIRMAN CRECCA:
Five? Where's the fifth one? Angie is not on the committee.
1229 is closed (Vote: 5-1-0-0 - Opposed: Legislator Bishop).

LEG. CARPENTER:
I'm just visiting.

CHAIRMAN CRECCA:
We also have a ***Public Hearing Regarding Introductory Resolution 1230-04, a Charter Law to authorize a two year rolling debt under 5-25-5 to address a budgetary shortfall.*** I have no cards on 1230. Is there anybody here wishing to speak from the public on IR 1230? Seeing none, I'll make a motion to close 1230-04, seconded by Legislator Losquadro. All those in favor? Opposed?

LEG. BISHOP:
Opposed.

CHAIRMAN CRECCA:
List Legislator Bishop as opposed and again, it's 4-0.

LEG. BISHOP:
Four-one.

CHAIRMAN CRECCA:
What's that? 4-1. What did I say, 4-0? I'm sorry, sometimes I forget to count David's vote, 4-1.

Okay, before we go to the regular agenda for our Introductory and Tabled Resolutions, I'd like to return back to the discussion portion of this meeting and again open it up to questions to any of the presenters that were here this morning to members of the committee first, and then if there are other Legislators who are not on the committee who had questions. Legislator Bishop, do you have any questions? Legislator Lindsay?

LEG. NOWICK:
Don't encourage them.

CHAIRMAN CRECCA:
Don't encourage, okay. Okay, I have one question, Bob, for you and that is you talked about in your budget modeling that you used the percentage of growth on the sales tax figures for 2004 in the budget model for this year. Over and above that, what was adopted by the 2004 budget, do you know what percentage of growth you're anticipating for 2004 over and above the adopted model? Did that make sense?

MR. BORTZFIELD:

Yeah, I'm not sure of the amount, the percentage over the model. Right now in the model it's about $30 million in additional over the adopted that's being projected for total sales tax, obviously that's between the 477, the General Fund.

CHAIRMAN CRECCA:
Right, okay. Thirty million over the adopted amount? Over -- because obviously my point is --

MR. BORTZFIELD:
The adopted is a --

CHAIRMAN CRECCA:
-- in 2004 we anticipated some growth.

MR. BORTZFIELD:
We anticipate a growth and that obviously was done before we had the final numbers for 2003.

CHAIRMAN CRECCA:
Right.

MR. BORTZFIELD:
You know, the projections came in on that and, you know, the final numbers coming out for 2003 based on the model done by myself as well as the model that was done by the outside economist that we have on a contract, we're projecting about a billion, 70 million figure for 2004, in that general range.

CHAIRMAN CRECCA:
And Jim, sort of the same question. In our models that we're doing, where we're talking about these different view points, are we going with the 2004 adopted amounts on the -- or Robert?

MR. LIPP:
Implicit really in the above adopted amounts are whatever fund balance may generate. So yes, we went with the adopted amounts. And our projections for sales tax growth, we put in three different projections for each one, pessimistic was 3%, middle case 4%, optimistic 5% growth.

CHAIRMAN CRECCA:
You don't know what percentage you're using?

MR. BORTZFIELD:
Basically it's 4% growth.

CHAIRMAN CRECCA:
Okay.

MR. LIPP:
So I guess we're on the same page sort of.

CHAIRMAN CRECCA:
Are there any other questions from members of the committee? All right, seeing none, I think we'll go to the agenda. And again, you know, I might ask some of the -- well, thank you. I'm going to let the presenters be dismissed to the extent that they would like to be. Thank you for your patience, gentlemen, and ladies.

Okay. On page two, we're going to ***Tabled Prime Resolutions:***

1034-04 - Amending the 2004 Capital Program and Budget and appropriating funds for the construction of a skate park at Smith Point County Park, Town of Brookhaven (CP 7162) (O'Leary). I have a request to table. We'll make a motion to table from the sponsor, Legislator O'Leary, seconded by Legislator Bishop. All those in favor? Opposed? ***1034 is tabled (Vote: 6-0-0-0).***

1093-04 - Amending the 2004 Adopted Operating Budget and appropriating bond proceeds in connection with payment of pension liability costs for 2004. (County Executive). Do I have a motion?

LEG. LOSQUADRO:
Motion to table.

CHAIRMAN CRECCA:
I have a motion to table by Legislator Losquadro, seconded by myself.
All those in favor? Opposed?

LEG. LINDSAY:
Opposed.

LEG. BISHOP:
Opposed.

CHAIRMAN CRECCA:
I'm sorry, was that Bill?

MR. KNAPPE:
Legislator Crecca?

CHAIRMAN CRECCA:
Yes.

MR. KNAPPE:

If I could speak on the resolution?

CHAIRMAN CRECCA:

Absolutely.

MR. KNAPPE:

This is the resolution that was before the committee at the last meeting that the Budget Review Office and the County Executive's Budget Office spoke in favor of. There was a part of the piece that was included in the 2004 Adopted Budget by both branches of government that we wanted cleared up before we enter into discussions with the bond rating agencies. And we would just strongly encourage the passage of this resolution from committee to the full Legislative meeting on the 23rd.

CHAIRMAN CRECCA:

When do these costs need to be paid by, Ken?

MR. KNAPPE:

They need to be paid by towards the end of the year. However, the discussion at the last meeting that was made by both Budget Review and by the Budget Office was to have this in place to go forward when we start meeting with the bond rating agencies, at the end of March, early April.

CHAIRMAN CRECCA:

And what is the advantage to that?

MR. BORTZFIELD:

This is putting our budget in balance because the budget was put together with the assumption that we were going to bond out anything over the 7% increase in cost in the pension costs; this actually sets up the authorization to do that. It doesn't commit us to expending these funds or even borrowing at this point in time, it just sets up the authorization so when we go to the rating agencies we have in place a fully balanced budget that shows the bond authorization. With bond proceeds coming in, the money is appropriated to pay the pension costs at the end of the year, you know, pending whatever final outcome we have in the pension costs.

CHAIRMAN CRECCA:

You know, I'll just add that obviously the Legislature prepared the budget and moved forward with it and voted on the budget so we obviously recognize this as a policy statement that we were going to bond these things. Again, my own concern here is that we're just putting the cart before the horse, we're a little premature in the authorization, issuing authorization in early March for a bill that's due at the end of December. Budget Review, I think you had a comment on it?

MR. SPERO:

Just two points. This is in conjunction with the financing plan we had in place for the '04 budget, so. We had intended when we adopted the '04 budget to do this borrowing. Secondly, this is in lieu of borrowing from the State Comptroller which is at 8% interest, so it's really a cost saving measure for us to bond this money ourselves rather than finance it through the State.

LEG. LINDSAY:
I have a question.

CHAIRMAN CRECCA:
Sure. Can I just -- I'm just going to ask Jim a question first. Jim, when should this be done; is now an appropriate time or does it matter?

MR. SPERO:
You could do it now. I mean, the authorization will be there, the bonds won't be issued until we need the cash late in the fall, I mean, we can't issue bonds ahead of time because of restrictions, arbitrage restrictions required by the federal government.

CHAIRMAN CRECCA:
That's why I just didn't understand why it was coming now. And I guess it's not that we're --

MR. SPERO:
I guess there's a comfort level in knowing that the authorization is in place and we can move ahead with the borrowing.

LEG. BISHOP:
What would be the reason to hold off on it should be the question.

CHAIRMAN CRECCA:
Well, I'll let Legislator Lindsay ask his question, but certainly I think that's a valid question.

LEG. LINDSAY:
That's the exact question I was going to ask when the gentleman to my right was whispering in my ear.

CHAIRMAN CRECCA:
You obviously use that term loosely. Jim, is there any negative side to authorizing it early?

MR. SPERO:
Just so long as the bonds aren't issued before we need the cash.

CHAIRMAN CRECCA:
Is there any way --

MR. SPERO:
I don't think the Comptroller would do that to you.

CHAIRMAN CRECCA:

Is there any intention that you know of to issue the bonds before we need to?

MR. BORTZFIELD:

Our obligation is not until December 15th, so no, there would not be any --

CHAIRMAN CRECCA:

Just so you understand -- go ahead, Legislator Lindsay.

LEG. LINDSAY:

The question I had is there any advantage to us locking in to a lower rate now?

LEG. BINDER:

You can't.

LEG. LINDSAY:

You can't do that now.

MR. BORTZFIELD:

We can't borrow at this point in time.

LEG. BISHOP:

If the only minimal impact is on the bond rating, why not do it?

CHAIRMAN CRECCA:

Yeah, I mean, I have no problem doing it and I'll even move on it today. But you have to understand, my only concern was I didn't understand what the motivation was to do it this early in the process when --

MR. BORTZFIELD:

It's to eliminate the hole in the budget because right now you have an outstanding obligation of additional $65 million that's not taken care of in the budget.

LEG. LINDSAY:

But in the budget, this was proposed in the '04 budget that we borrow the money.

CHAIRMAN CRECCA:

That's what I'm saying, the hole is not there.

LEG. LINDSAY:

I mean, it's there.

MR.BORTZFIELD:
Right.

CHAIRMAN CRECCA:
Lance?

MR. REINHEIMER:
I would like to add one thing. This Budget Review is in agreement with the amount of $65 million, that's a reasonable estimate of what we will need to bond over 7%, and that's based on our 2004 Adopted Budget too. However, in September we will get a preliminary bill which should tell us pretty much exactly what we will need to pay and exactly what we can bond if we want to take that option.

LEG. CARPENTER:
In September.

MR. REINHEIMER:
So in September we would have a better idea. The only downside to authorizing a $65 million bond issue at this point is if for some reason our projection is off by a half percent or so and we need to borrow 66 million, they had to come back -- the Executive would have to come back with another resolution to change the authorization; that's the only downside. Other than that, you know, we're in support of bonding and we're in support of the number, the number is reasonable but we don't know the exact number.

CHAIRMAN CRECCA:
Just so you understand, my colleagues understand, I was a cosponsor of the budget, Omnibus budget bill last year that incorporated this in here. It's not the policy that I don't support, it was the timing that I didn't support. I didn't see the need, I don't -- I guess the justification is you think it makes it look better to the bond rating agencies, but I don't know if it does because the policy statement is there already to the bond rating agency.

MR. BORTZFIELD:
The policy statement and actual authorization are two different things. To have the actual authorization that balances your budget, then there's no questions whatsoever on the rating agency's part.

CHAIRMAN CRECCA:
I would just ask Budget Review to comment on that.

MR. SPERO:
There would be a certain degree of comfort knowing that the authorization was in place and that we could borrow it. Like I said, as long as we -- we'd also like to have a little finality on the numbers.

CHAIRMAN CRECCA:
If we do it before they could come back to us and get more later on, they could come back for additional amounts,

authorizing additional amounts?

MR. SPERO:
You could or we would have to pay out of pocket for any overage.

CHAIRMAN CRECCA:
There's nothing that would allow -- let's say our bill comes back lower, 50 million, this authorization wouldn't allow them to bond 65, they would still -- the Comptroller would still only be able to bond what the actual bill was?

MR. SPERO:
The authorization is a ceiling, the Comptroller would only borrow 50 if it came back lower.

LEG. LINDSAY:
I make a motion.

CHAIRMAN CRECCA:
Legislator Binder.

LEG. BINDER:
Thank you, Mr. Chairman. I think it does make sense, I just -- I think it's very interesting, the dichotomy between our discussion before where they were going to -- the discussion was to front load, not have an answer as to where we were going to get up to $75 million in out year funding dissavings that were going to result from the front loading and not concerned about going before them, that here we're concerned that we don't have an authorization. I agree, we should have an authorization, we should go forward with this, we should be able to say that there's no question in the budget, no mechanisms exist so the Comptroller, any time that it's necessary, can go out.

The answer to Legislator Lindsay, you might have gotten it already, is that if we went out now we'd have the cash, if you have the cash you can't put it into an account that you can raise money, that's arbitraging. So I agree with it, I think we should have a motion to approve, we should pass this through and get this done. But it just shows that there's -- I guess -- and I'm not sure what the thinking is, on one hand, "I don't care what the rating agencies say," and, "Here, I've got to have this done because I want to go to rating agencies and get a favorable response." There's something not working here.

CHAIRMAN CRECCA:
I'll withdraw my motion to table -- oh, it was Danny Losquadro's motion, I'm sorry. Legislator Losquadro is withdrawing his motion on 1093 to table. There's a motion by Legislator Lindsay, seconded by Legislator -- myself to approve 1093. All those in favor? Opposed?
1093 is approved (Vote: 6-0-0-0).

1094-04 - A resolution authorizing the issuance of $65,000,000 serial bonds of the County of Suffolk, New York, to pay amounts outstanding for 2004 retirement contributions of said County in excess of

seven percent (County Executive). There's a motion by Legislator Lindsay, second by myself. All those in favor? Opposed? ***1094 is approved (Vote: 6-0-0-0).***

Moving on to ***Prime Introductory Resolutions:***

1099-04 - Amending the Adopted 2004 Operating Budget and transferring funds and creating the position of Executive Director of the Suffolk County Ethics Commission (Cooper). I'm going to ask that -- we're going to pass over this one and address this one, I'd ask Counsel to remind me at the same time that 1212 at the top of page four is addressed.

LEG. BISHOP:
Is this a hearing on Local Law?

CHAIRMAN CRECCA:
I don't believe this -- 1099 is not a Local Law.
LEG. BINDER:
It's amending the budget.

CHAIRMAN CRECCA:
It amends the budget. So we're going to pass over 1099 and do it at the same time that we do 1212 since the two resolutions address the same exact issue. They're different but it's the same position that they're looking to fund.

1111-04 - To readjust, compromise and grant refunds and chargebacks on correction of errors/County Treasurer by: County Legislature #183 (County Executive).

LEG. BINDER:
Motion.

CHAIRMAN CRECCA:
There's a motion by Legislator Binder, seconded by Legislator Nowick. All those in favor? Opposed? ***1111 is approved (Vote: 6-0-0-0).***

1112-04 - To readjust, compromise and grant refunds and chargebacks on correction of errors/County Treasurer by: County Legislature #185 (County Executive). Same motion, same second, same vote. ***Approved (Vote: 6-0-0-0).***

1113-04 - To readjust, compromise and grant refunds and chargebacks on correction of errors/County Treasurer by: County Legislature #186 (County Executive). Same second -- same motion, same second, same vote.
Approved (Vote: 6-0-0-0).

1130-04 - To readjust, compromise and grant refunds and chargebacks on real property correction of errors by: County Legislature Control #714-2004 (County Executive).

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:
Mr. Chairman, on 1130, we request that be tabled. This is $2 million that would go back on a pilot payment with LIPA and the Town of Brookhaven, but the County share, there's an agreement attached to it which calls for the County share to be determined at a future date, it would be preferable to have County share identified in advance. So we would request that the bill be tabled.

CHAIRMAN CRECCA:
There's a motion to table by Legislator Lindsay, seconded by myself. All those in favor? Opposed? ***1130 is tabled (Vote: 6-0-0-0).*** I'd ask representatives from the County Executive's Office to work with our Counsel on proposed amendments to that bill.

1133-04 - Amending the 2004 Mandated Operating Budget in connection with fifty (50) new Correction Officer I positions in the Sheriff's Office (Carpenter). There's a motion by myself to approve, seconded by Legislator Losquadro.

LEG. BISHOP:
Motion to table.

CHAIRMAN CRECCA:
Motion to table by Legislator Bishop, seconded by Legislator Lindsay.

LEG. LINDSAY:
On the question.

CHAIRMAN CRECCA:
On the question, Legislator Lindsay.

LEG. LINDSAY:
Maybe to the sponsor just to explain; are these positions above and beyond the positions that were added in the '04 budget?

LEG. CARPENTER:
No.

CHAIRMAN CRECCA:
No, they're not. I have the answers right here. It's not, these were --

LEG. LINDSAY:

These are the positions.

CHAIRMAN CRECCA:

These are positions, supervisory positions, correct? I'm sorry, these are the 50 positions --

LEG. CARPENTER:

No, these are the Correction Officer I, the 50 that were included in the budget.

CHAIRMAN CRECCA:

There is no fiscal impact on this bill.

LEG. LINDSAY:

Okay, then I withdraw my second on the tabling motion.

CHAIRMAN CRECCA:

Legislator Bishop, what's your pleasure, are you leaving your tabling motion?

LEG. BISHOP:

Yeah, but I don't have a second, so I'm just going to wait to speak.

CHAIRMAN CRECCA:

The tabling motion fails for a lack of a second. On the motion to approve, Legislator Bishop.

LEG. BISHOP:

My concern is the Needs Assessment Report indicated that there was a high level of use of sick time and overtime in the Corrections Department and I think that given that situation that it would be perhaps imprudent under this current management situation to approve this.

CHAIRMAN CRECCA:

If I can comment on that.

LEG. BISHOP:

Sure.

CHAIRMAN CRECCA:

Just to respond. When we did the Omnibus when we prepared this part of the budget and we went into great length with the Sheriff and also to Tom, the County Executive's personnel, about the need to reduce overtime costs, and so the policy behind this was to reduce that.

I still believe based on the information we received during the budget process and from the Sheriff's Department that unless and until we do this and actually move forward on it, we can't hold the Sheriff's feet to the fire, so to speak, to reduce overtime costs.

LEG. BISHOP:

And I understood that at the time and we've have had a policy now -- I'm sorry, it's not my turn.

CHAIRMAN CRECCA:

No, that's fine, go ahead.

LEG. BISHOP:

We've had a policy ongoing for at least seven or eight years where we've been trying to build up the ranks of Correction Officers to reduce overtime, the same thing with Deputy Sheriffs and it's had a modest impact. And perhaps if I'm reading this Needs Assessment Report correctly, it's suggesting that there's abuse it's, not just -- it's a different issue than what we were dealing with when we did the budget where we said if we add more permanents then we'll reduce it. What this is suggesting is that it's out of control and therefore I don't know if you want to move forward given that background. That's my concern.

CHAIRMAN CRECCA:

I just want to just -- and then I'm going to go to Legislator Lindsay. But Budget Review, do you have a number off the top of your head as to what the overtime costs were for 2004, was it in excess of $20 million I believe for the Sheriff's Department?

MR. KNAPPE:

It was somewhere between 17.8 and 18.3 for the Sheriff's Department as a whole.

MR. SPERO:

It was more than three million above what was budgeted.

CHAIRMAN CRECCA:

Okay. Legislator Lindsay.

LEG. LINDSAY:

Just really to Budget Review. As I recall, when this was put in the budget there was a provisory budget note that the department couldn't get the money unless the class was started; is that correct?

MR. SPERO:

Well, you can't -- you have to have the money to start the class, it's like a chicken and egg situation. But the theory was that we would give the Sheriff extra positions and let him prove his case that he can reduce overtime.

CHAIRMAN CRECCA:

And I think in the past, didn't the County Executive's Office fail to fill those classes or start those classes in past years, even though we put the positions in.

MR. SPERO:

There had been delays in past years.

MR. KNAPPE:
Just to speak on the RESOLVED clauses that Legislator Lindsay was referring to. In the Legislature's Omnibus there were a couple of RESOLVED clauses in the Mandated Omnibus as well as the discretionary dealing with the Correction Officers, and the next resolution dealing with the Deputy Sheriffs, that the class must start by March 1st to maximize the savings I believe. And in addition to that, there was another RESOLVED clause requesting the Sheriff's Department to show and illustrate in report forms back to the Legislative body the savings that will materialize when these positions come on board. That last provision is not necessarily inferred within the resolution here, so I just wanted to state that on the record.

CHAIRMAN CRECCA:
I'm sorry, I apologize, I was listening to you three-quarters of the way, not fully. Does the County Executive's Office support 1133 or not, or does that -- are you taking a position? I apologize because I didn't hear you fully.

MR. KNAPPE:
The most important factor that is not included in this resolution is the reporting component that was included in the Legislature's Omnibus last year; it was a specific RESOLVED clause, I forget the number.

CHAIRMAN CRECCA:
But that would still --

MR. KNAPPE:
It talks about the savings and making sure that the Sheriff comes back in front of this body and the County Executive's Office to illustrate that savings.

LEG. BISHOP:
I remember that, thank you.

CHAIRMAN CRECCA:
Okay, but that part of the Omnibus still stays in full force and effect, this is just an appropriating resolution actually appropriating the money. Just so you're clear, this Legislature is not any way changing that policy, that that was stated clearly where the proper policy document is is the budget bill itself, not the appropriating resolution.

LEG. BINDER:
Mr. Chairman?
LEG. BISHOP:
A technicality.

CHAIRMAN CRECCA:
I recognize Legislator Binder.

LEG. BINDER:
So what would be the answer to the question, though? Do you support, does the County Executive support 1133, 1134, 1135? I mean, where is the County Executive on this?

MR. KNAPPE:
Speaking on 1133, we are in support of this resolution.

LEG. BINDER:
That's what I want to know.

MR. KNAPPE:
It does transfer the money to the correct accounts. I do want to point out something on 1134 when we get to that bill, just because I don't completely agree with the accounting structure, actually I believe in 1135.

LEG. BINDER:
Okay. But also, the overall question of funding these particular positions that the County Executive as a policy question agrees with this and wouldn't have a problem with that.

MR. KNAPPE:
It is my understanding on behalf of the Budget Office that the funds do tie to the positions and that we are in agreement from the Budget Office perspective for this resolution.

CHAIRMAN CRECCA:
All right. Legislator Bishop.

LEG. BISHOP:
The accountability provision that you mentioned, where is the force of law this year to make that happen?

CHAIRMAN CRECCA:
In the budget -- to answer your question, I believe it's in the budget document itself.

LEG. BISHOP:
Can we have Counsel or -- Counsel, my Counsel; is that a poem?

CHAIRMAN CRECCA:
It should be a poem; Counsel, my counsel, some sort of patriotic.

MS. KNAPP:
There's actually an interesting legal debate as to the force of law on RESOLVED provisions in an Operating Budget. However, it has historically been the position of this Legislature that the RESOLVE clauses form a part of

the Operating Budget, and to the extent that the Operating Budget governs us in 2004.

LEG. BISHOP:

Now, my concern is I just had cause to review the minutes of last year's Public Safety meeting with the Sheriff where he -- I mean, let's just say frankly he chooses which laws to adhere to and which ones he chooses to ignore. And I would hope that we could add some accountability provision in this resolution so we can maintain our position and have accountability, particularly in light of what I brought forward which was in this Needs Assessment Report.

CHAIRMAN CRECCA:

Legislator Carpenter.

LEG. CARPENTER:

I have to take exception with what you're saying, Legislator Bishop. The Sheriff is a duly elected official sworn to uphold the law and to characterize him as choosing which laws he chooses to obey and not is really unfair. The budget document speaks for itself and I think this resolution should be passed.

LEG. BISHOP:

I know you don't want to engage in a tangential debate, but I have the minutes here for your review and you can read where the Sheriff himself chooses not to go by a resolution that was duly enacted by the Legislature and signed by the County Executive because he said he felt it was wasteful and that's the kind of concern that I have here. I don't want him cavalierly dismissing our mandate that there be an accountability before these positions come on-line and that accountability is a declaration of exactly how this is going to result in savings. After all, that's what we're trying to achieve with adding these positions and I don't want to waste taxpayer money.

CHAIRMAN CRECCA:

But Legislator Bishop, in the same regard, too, and your point is taken despite the fact that I don't necessarily agree with it, but the point also is by failing to adopt this resolution for that reason then you are succumbing to the allegation that the Sheriff won't do what he's required according to what was passed by this budget. So the bottom line is if this is the policy statement and this is the will of the Legislature to put these positions in to reduce the overtime, we can only test the policy and test what -- carry through on what you're saying if we adopt the resolution.

LEG. BISHOP:

Well, fortunately we have the Chairperson of the Public Safety Committee right here and perhaps we can find out how the accountability will be enforced. Are we going to have the Sheriff come and make this declaration before the hirings occur --

CHAIRMAN CRECCA:

I think the budget --

LEG. BISHOP:

-- before the class comes on line? That's what I want to know.

CHAIRMAN CRECCA:

I think the budget document speaks for itself and we'll leave that to -- do you want to speak?

LEG. CARPENTER:

I'll be happy to respond.

CHAIRMAN CRECCA:

Sure.

LEG. CARPENTER:

Pass these resolutions and we'll certainly discuss this in the Public Safety meeting.

LEG. BINDER:

Mr. Chairman?

LEG. BISHOP:

It's not good enough for me.

LEG. BINDER:

Mr. Chairman?

CHAIRMAN CRECCA:

Yes, Legislator Binder; just couldn't resist.

LEG. BINDER:

Thank you. Okay, so I understand from the Budget Review Office that you support it in terms of budgetary. Let me ask then, Mr. Sabatino as the Chief Deputy, does the County Exec support the positions so we know that if we were to pass this that he's going to sign the legislation; does he support the positions 1133 and 1134? I'm asking Mr. Sabatino if he can give us a response on that, not from a just budgetary response that the money meets the positions but even as a policy question.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

On 33 and 34 there is support as long as the Sheriff shows that there is going to be a savings generated by filling those positions, that's something that was asked of the Sheriff in a meeting back in January. On 1135 there's just some technical defects which I believe the Budget Office will deal with and 35 also requires 14 votes, just for the record. And on 36 the same analysis as 33 and 34 would apply.

CHAIRMAN CRECCA:

Okay. I have a motion to approve on 1133 before us. All those in favor? Opposed? Are you raising your hand?

LEG. BISHOP:

I'm raising my hand as the wife of a Correction Officer is intimidating me.

CHAIRMAN CRECCA:

And we all know how easily intimidated you are, David. List Legislator Bishop please as opposed, and make sure you type they that nice and boldly in the minutes. ***Approved (Vote: 5-1-0-0 Opposed: Legislator Bishop).***

Before I get to 1134, I created or committed a faux pas, I had two cards signed in for the public portion and I apologize to those people; the good news is I believe they're both County employees so that helps out. So let me suspend the proceeding with our agenda and call forth --

LEG. BINDER:

Is that public portion?

CHAIRMAN CRECCA:

I think public portion should come before you actually take the vote, that's the way I like to do things, in case they have something relevant to say on a resolution.

LEG. BINDER:

Is it on 1134?

CHAIRMAN CRECCA:

No, it's on issues, bills that are before us today.

LEG. BINDER:

Do it before the bills are before us, just before those bills -- have them up just before the bills.

CHAIRMAN CRECCA:

I think it would be considerate, they have been waiting all morning and they have to go --

UNKNOWN SPEAKER:

I will wait until the bill comes up.

CHAIRMAN CRECCA:

Ms. Grant, do you want to go now?

MS. GRANT:

I will wait.

CHAIRMAN CRECCA:

All right, they'll both wait, they're both on 1225 I assume? So we'll continue with the agenda. Okay. So we'll continue with the agenda.

1134-04 - Amending the 2004 Discretionary Operating Budget in connection with twenty (20) new Deputy Sheriff I positions in the Sheriff's Office (Carpenter). I will make a motion -- go ahead.

LEG. LINDSAY:
Go ahead, make your motion.

CHAIRMAN CRECCA:
Motion to approve, seconded by --

LEG. LINDSAY:
I will second for the purpose of discussion.

CHAIRMAN CRECCA:
Seconded by Legislator Lindsay for the purpose of discussion. Legislator Lindsay.

LEG. LINDSAY:
Same question, these are the same positions that were approved in the '04 Operating Budget.

CHAIRMAN CRECCA:
Yeah, I'm showing that they are the ones that are in the 2004 Operating Budget creating 20 new Deputy Sheriff I's as set forth in the Omnibus and that there is no fiscal impact on the budget since it is money that's there already.

LEG. LINDSAY:
Could I --

CHAIRMAN CRECCA:
You can do whatever you want.

LEG. LINDSAY:
Why does the resolution say that it's amending the '04 budget then; shouldn'tG42.
It be appropriating the money to follow the budget.

MR. SPERO:
It's actually transferring the funds from a contingent account to the Sheriff's operating account, so it is a budget amendment.

CHAIRMAN CRECCA:
Yeah, we put it in a contingency account. There's a motion and a second. All those in favor? Opposed?

LEG. BISHOP:
No, I'm fine.

CHAIRMAN CRECCA:
Okay, just checking. ***1134 is unanimously approved (Vote: 6-0-0-0).***

1135-04 - Amending the Mandated and Discretionary portions of the 2004 Operating Budget (Carpenter). Do I have a motion?

LEG. BINDER:
Motion.

CHAIRMAN CRECCA:
Motion by Legislator Binder, second by Legislator Losquadro. On the motion, Budget Review, can you just explain briefly what this amendment does? It's moving 1.1 million from the Miscellaneous Contingency Account to the Sheriff's Department.

MR. SPERO:
Yeah, this resolution -- again, this is another contingency account we set up for the Sheriff's Office and this resolution takes the money from the contingency account, moves it to the Sheriff's various operating accounts.

CHAIRMAN CRECCA:
This is part of --

MR. SPERO:
This was part of the Omnibus bill.

CHAIRMAN CRECCA:
Right, but it goes along with 1133 and 1134 then, right, as part of that same contingency?

MR. SPERO:
That's right.

CHAIRMAN CRECCA:
Okay. There's a motion and a second. All those in favor? Opposed? ***1135 is approved (Vote: 6-0-0-0).***

1136-04 - Amending the 2004 Discretionary Operating Budget in connection with three (3) new Deputy Sheriff positions in the Sheriff's Office (Carpenter). This is the one that creates I believe the supervisory positions. There's a motion by myself, seconded by Legislator Losquadro. All those in favor?

LEG. LINDSAY:

Could I --

MR. KNAPPE:
This is the one resolution I spoke of that I have a reservation with.

CHAIRMAN CRECCA:
Let me go to Legislator Lindsay first.

MR. KNAPPE:
My apologies.

LEG. LINDSAY:
I was just going to ask Ken.

MR. KNAPPE:
Oh, thank you, Legislator Lindsay. The one reservation I have with this resolution, the Omnibus mentions the three positions in the Omni Code that is referenced in the resolution, however, the Omnibus never added the positions. There was no funding tied to these positions and this resolution as well doesn't have any funding tied to it. The two contingencies -- the three contingencies that were just tapped in the previous resolutions was for -- the last one was for an itemized list of accounts and the Correction Officer contingency was just for the new positions as well as the Deputy Sheriffs were for those 20 positions. I do not see any funding tied to the three newly created positions.

CHAIRMAN CRECCA:
If I can, and I'd ask Budget Review -- I'm sorry, did you want -- weren't these supervisory positions the promotions within the existing department, wasn't that part of this?

MR. SPERO:
The department wanted supervisory positions because the Legislature was providing, you know, the lower level positions.

CHAIRMAN CRECCA:
But I know when we did the Omnibus that it was part of the original $750,000 contingency, was it not?

MR. SPERO:
I'm trying to remember what happened now. Well, put it this way, even if it isn't the Sheriff's going to have to pay for these positions out of the available appropriations in his budget.

CHAIRMAN CRECCA:
Correct. Legislator Lindsay.

LEG. LINDSAY:

My recall was the three was part of the 20.

MR. SPERO:

To do that then he would have to take three of the 20 and have them reclassed to the higher supervisory positions.

CHAIRMAN CRECCA:

What happens is these positions come from within the existing ranks of the Sheriff's Department, the existing employees, it just changes -- it creates different titles. It takes, in other words, three Deputy Sheriff IV's -- I'm sorry, one Deputy Sheriff IV and puts the grade up to -- raises the grade and also in the Deputy Sheriff II it raises two of them, correct?

MR. SPERO:

It's an increase of three positions in total, so it's 20 plus the three.

CHAIRMAN CRECCA:

I'm not saying there's no fiscal impact that goes along with it, but it's doing it with an existing --

MR. KNAPPE:

My question or my reservation, as I mentioned before, we have a resolution that is in accordance with the Omnibus which increased the Deputy Sheriffs now by 20 positions and we have funded that with the contingency. In addition to those 20 positions, this resolution increases an additional three positions in the Sheriff's Department. It also leaves -- if we're going to take a Deputy Sheriff at one level and give that individual a promotion, it still leaves the current position there. So it is a net increase of 23 positions.

CHAIRMAN CRECCA:

But the -- how do you figure --

LEG. BISHOP:

(Inaudible).

MR. KNAPPE:

The question is --

CHAIRMAN CRECCA:

How do you figure there's a net gain? I'm not arguing with you, just how do you figure a net gain of 23 positions? If we're taking -- we're not creating these positions, we're upgrading --

MR. KNAPPE:

Yes, you are. No, you are creating these in the resolution.

CHAIRMAN CRECCA:

You create three?

MR. KNAPPE:

If you simply want to go through an earmark or a reclassification process, then your net position stays at the current 20 position level based on the budget amendment resolutions in front of you. This resolution increases it to 23.

LEG. CARPENTER:

If you look at the backup --

CHAIRMAN CRECCA:

Legislator Carpenter.

LEG. CARPENTER:

If you look at the backup, it says that there is no fiscal impact, this resolution merely creates new positions but does not provide the appropriations to pay salaries. Seven month salaries for these positions were included in the $750,000 contingency fund created in the discretionary omnibus resolution to fund the 20 new Deputy Sheriffs and these three supervisory positions which are not to be created until after the class of the 20 Deputy Sheriffs begins.

CHAIRMAN CRECCA:

In other words -- right.

LEG. LOSQUADRO:

Yeah, the second and third WHEREAS clause has spelled that out clearly. The third WHEREAS clause says that the discretionary omnibus resolution indicates that funds are provided.

MR. KNAPPE:

I'm questioning the discretionary funds because when the Omnibus was created it was specifically for 20 new Deputy Sheriffs. If it is the intent of the Legislature to upgrade or to give promotions to current Deputy Sheriffs, the process, in my opinion from the Budget Office, should not be an additional three positions leaving three, the previous position still in the budget. Perhaps an offset of the three previous positions could be abolished or reclassified to the new promotional level rather than increasing the staffing to the 23 level.

CHAIRMAN CRECCA:

Jim?

MR. SPERO:

We got the Omnibus resolution up on the computer, the note to Item D 50 -- 51, excuse me, states that, "This portion of the resolution creates a contingent appropriation for salaries for seven months, creates 20 new Deputy S I positions. Funds are also provided for one Deputy Sheriff IV and two Deputy Sheriff II positions to be created after the Deputy Sheriff I class begins." So that's the note to the item number that created the 20 Deputy Sheriffs.

CHAIRMAN CRECCA:

And that's exactly the way the resolution reads also. So I'm going to -- I'm comfortable moving forward with this and I think that the appropriate funds are there. I understand the County Executive's position and I'm not --

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

I was involved on the other side of that transaction, I recall there was some confusion at the time because the original version of the bill had 17 Deputy Sheriffs and the three; I'm not sure how it jumped from 20 to 23 because when I saw that afterwards it was a little bit confusing. But if the note now says that the three are to be created after then you should table this resolution until that event occurs because this resolution would create them now.

CHAIRMAN CRECCA:

No.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

So if you're going to literally follow what it says, you would have to wait on this because this resolution creates the positions now.

LEG. BISHOP:

Mr. Chairman?

CHAIRMAN CRECCA:

Legislator Bishop.

LEG. BISHOP:

Do we have any agreement as to what the goal --

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

I thought it was 20 at the time.

LEG. BISHOP:

Hold on. What was the goal at the time we did the Omnibus; that's what we want to reflect today, right?

CHAIRMAN CRECCA:

It's clear, you just heard -- the way we adopted the bill said 20 plus three new titles.

LEG. BISHOP:

Is that what we intended at the time we did the Omnibus? That's your position. I just want to make sure we all agree.

CHAIRMAN CRECCA:

That's what we adopted. And yes, it's my recollection -- I was the one who brought this originally to --

LEG. BISHOP:

It wasn't 17 plus three equals 20, you got 20 and now you're going to have three more; that's what I think they're saying.

CHAIRMAN CRECCA:

Yeah, my recollection is it was 20 plus three. But even if my recollection was wrong, I think we are bound -- we could obviously change it now, but we are bound to follow what's in the Omnibus which is the 20 plus three. Legislator Lindsay.

LEG. BISHOP:

And if that was our intention, is the money there to carry out our intention?

CHAIRMAN CRECCA:

That's what the Omnibus says. Legislator Lindsay.

LEG. LINDSAY:

I think we might be talking about the same thing because when we create the 20 positions and we take three people out of the ranks and --

CHAIRMAN CRECCA:

Promote them.

LEG. LINDSAY:

Promote them, those positions are vacant.

CHAIRMAN CRECCA:

Correct and so the budgetary impact is --

LEG. LINDSAY:

The same as 20.

CHAIRMAN CRECCA:

But there was never an intention to -- it's a different question as to whether those 20 positions --

LEG. LINDSAY:

We're not hiring 23 people.

CHAIRMAN CRECCA:

No, we're hiring 20 people.

LEG. LINDSAY:

We're hiring 20 people.

CHAIRMAN CRECCA:

You're absolutely right.

LEG. LINDSAY:

We're promoting three people, we're not filling those Deputy I positions that they're vacating or Deputy II positions or wherever they are, we're not backfilling them.

CHAIRMAN CRECCA:

You're absolutely right.

LEG. LINDSAY:

We're still only hiring 20 people.

CHAIRMAN CRECCA:

And if next year they want -- those three will be vacant and they want to somehow figure out a way to fill them, God bless.

LEG. BINDER:

Mr. Chairman?

CHAIRMAN CRECCA:

We can cut them then. So I think we're all on the same page.

LEG. BINDER:

Mr. Chairman?

CHAIRMAN CRECCA:

Yes, Mr. Legislator Binder.

LEG. BINDER:

If I could ask Counsel whether it is in the resolution that the positions are created after the class. When, at what point in time does the resolution specifically say that the position created. The reason I ask is because it was then stated that we should table it because we would be creating the positions right now with this resolution, but my understanding of the resolution is that --

MS. KNAPP:

There is a phrase in the third WHEREAS clause which the words "to be created after the class begins," is bolded.

LEG. BINDER:

So there would be no legal way to create those positions before the class; is that -- would that be the opinion of our Counsel?

MS. KNAPP:

The only RESOLVED has to do with the modification of the budget in order to do this.

LEG. BISHOP:

Force of law.

MS. KNAPP:

As a rule, the RESOLVED is the force of law, however it is very clear in the WHEREAS that --

LEG. BINDER:

Okay. Thank you.

CHAIRMAN CRECCA:

I think that clears it up enough and I think the intent of the legislation is very clear and I don't think there's any legal --

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

Just for the record, the WHEREAS clause refers to what the note in the Omnibus said. The RESOLVED clause is what creates the positions.

CHAIRMAN CRECCA:

I understand what you're saying.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

It's creating the positions on the day that the County Executive signs the bill. Let there be no misunderstanding, the positions are created on that day, they're not created pursuant to what the note referred to back in the year 2003. I mean, just for the record to make that clear.

LEG. BISHOP:

But to fill them they need you, right, they need the Executive Branch.

CHAIRMAN CRECCA:

You've got to sign the SCIN, don't you?

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

That's not what creates the position; creating the position is a Legislative act which is adopting a resolution.

LEG. BISHOP:

Right, but the true action, you know, occurs when you sign the SCIN forms, no?

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

No, the SCIN form is to fill the -- is to release the position to be filled; the filling of the position is then done by the Sheriff.

LEG. BISHOP:

All right.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

You know --

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

Creating the position is a totally different thing.

CHAIRMAN CRECCA:

I understand and I --

LEG. BISHOP:

We understand but you're choosing not to understand my point.

CHAIRMAN CRECCA:

And I do, I understand your point, Legislator Bishop. All those in favor of 1136? Opposed? ***1136 is approved (Vote: 6-0-0-0).***

1139-04 - Adopting Local Law No. 2004, a charter Law to authorize two-year rolling debt under 5-25-5 Law to mitigate budgetary shortfall. This is the County Executive's bill.

LEG. CARPENTER:

Motion to table pending the public hearing.

CHAIRMAN CRECCA:

There's a motion to table by Legislator Binder for public hearing, seconded by --

LEG. BISHOP:

(Inaudible).

CHAIRMAN CRECCA:

No, that's on ours. The County Executive asked, just to clarify for the record, that 1139, the public hearing be held at the full General Meeting on March 23rd and we honored that request. And in light of that, there's a motion to table by Legislator Binder, seconded by myself, 1139, for a public hearing. All those in favor? Opposed? ***1139 is tabled for a public hearing (Vote: 6-0-0-0).***

1140-04 - Adopting Phase I shared responsibilities comprehensive no frills budget plan to protect taxpayers against fiscal crisis and ensure affordable County government (County Cost Cut Component) (County Executive).

LEG. BINDER:
Same motion.

CHAIRMAN CRECCA:
This is one of three budget amendment bills proposed by the County Executive; 1140, 1141 and 1142. The Legislative bills are contained in 1228 specifically and then there's some other bills that go along with that, but 1228 --

LEG. BISHOP:
So 1228 would be the one.

CHAIRMAN CRECCA:
Either one would supercede the other; if you adopted both there are inconsistencies within the bills.

LEG. BISHOP:
Why don't you take yours out of order then?

CHAIRMAN CRECCA:
Sure.

LEG. BISHOP:
And then I'll speak against it.

CHAIRMAN CRECCA:
There's a motion by Legislator Bishop to speak against -- I mean to take 1228 out of order, seconded by myself. ***1228-04 - Adopting a responsible plan for cost savings to mitigate anticipated 2005 budget shortfall (Crecca).*** 1228 is now before -- all those in favor? Opposed? 1228 is now before us, as well as 1140.

I'll make a motion to approve 1228, seconded by Legislator Losquadro. On the motion, Legislator Bishop.

LEG. BISHOP:
I believe this is referred to as the Majority Conference bill, is that it?

CHAIRMAN CRECCA:

No, I think we can refer to it as IR 1228 or the Legislature's plan.
I would expect and hope to have bipartisan support of the bill.

LEG. BISHOP:

I didn't mean that to be fighting, I just wanted to -- I'm going to call it the Majority Conference bill with your permission.

I believe that the bill contains many positives. First of all, it recognizes the extent of the problem. We will continue to debate the exact dollar amount that's involved in that, but I think it's becoming clear that we start off with a problem that's well over 200 million and then hopefully certain actions will occur that will widdle it down to something that's a lot more manageable. And the Executive's point which is very clearly and well made is that if we don't begin to take action now then we won't have the credibility to get the results we want out of Albany, and that's why I am very encouraged that the Majority Conference and the Executive are moving forward.

Second, it's to be commended that this measure, unlike the Executive's, recognizes the value of the Tobacco Cessation Program and tobacco education; I think that's a trust that we have with the public and to violate that trust would be a policy disaster which is simply wrong.

And third, I think it's to be commended that it embraces most of the proposals put forward by County Executive Levy. And whether it's done through cooperative meeting efforts or just through a separate effort, separate initiatives in each branch, the fact that there's a lot of consensus is excellent and another positive.

However, I believe that there are enough problems with this bill now that I wouldn't at this point be prepared to support it. The first is I'm discouraged that the money that's set aside for the PBA contract award is not preserved, and in doing so it's I believe a reckless act to use that money elsewhere. We know that award is coming down and we need to fund it and to say that at a later date we'll fund it through a borrowing or through some other action, you know, puts an awful lot of burden on us later in the year when we can perhaps least afford to take it on. So I think that that's wrong.

But I think the biggest problem with both the Executive's approach and Majority Conference approach is that it's -- they are both at this point far too myopic. You're looking at policies which seek to use short-term debt to alleviate a short-term problem, but you're not taking this necessary step back to look at the long-term implications on both sides. What I'm saying is that you can do things like suspend 5-25-5, but I would never suspend 5-25-5 and use that Operating Budget money, $20 million, to plug a budget hole and then borrow $20 million to continue doing the programs. And both approaches right now contemplate doing just that, not just this year but next year as well. So that's an additional debt burden of $40 million plus the interest.

Both approaches right now seem to contemplate some sort of front loading of debt -- of refinancing, of positive revenue for refinancing which could impact debt later on. Fine if you're going to estew taking on debt later on, but there's no commitment to that right now. In fact, many of the Legislators who are sponsors of this are great advocates of building a $215 million County Jail which is an enormous, enormous, unprecedented debt burden that will take effect in the years ahead.

So to engage in these policies now without looking at the long-term debt implications is foolish. I think what needs to happen is that the Legislative leadership that crafted this resolution and the Executive need to continue to meet and if they are committed to doing some sort of short-term borrowings and maneuvers to create relief in the short term, then they need to take a step back and look at the long-term as well and make commensurate reductions over the long-term. You can do these maneuvers but you can't do them if you don't look at the long-term implications and adjust the long-term strategy. Thank you.

CHAIRMAN CRECCA:
Legislator Bishop, just to -- I think two things I should do at this point is one, I should highlight what is contained in 1228, and probably in doing so I'll highlight at least some of the major differences between 1140, 1141 and 42, those bills that are the County Executive's and this one. I will point out that we have suspended 5-25 pay-as-you-go funds in the past and the basis for it -- and I understand your disagreement with it and it's a valid point, whether I agree with it or not, it is a valid point -- is the low interest rates which we have done in the past because of the low interest rates and the legal availability to do so when we suspend.

LEG. BISHOP:
That's fine.

CHAIRMAN CRECCA:
And we do still have to pay the principal and the interest involved in that and it is a budgeting technique. But by no means, it is a policy decision whether to do it that way or not.

With that said, I think it's incumbent just to highlight 1228 and some of the differences between that and the County Executive's proposal. I would also keep in mind that in putting forward what I will now call the moderate refinancing plan, the moderate refunding plan, it was part of the decision to not go completely to the conservative refinancing plan which would go forward short of these bills. In some deference to the County Executive's request to get some up front savings and our agreement with that policy to try to maximize up front savings while minimizing dissavings.

1228 that is before you does, in fact, adopt that moderate refinancing plan, not the original one that was in the bill, it's been modified to reflect that. In addition, some of the highlights and the differences are in the area of the tuition for the FIT students, this hasn't changed, it's still in there that way, we -- the Legislature confined savings to the third and fourth year students. With regard to pay-as-you-go, we do leave $500,000 in pay-as-you-go for this year in the most recently amended version but do suspend that policy for both '04 and '05.

As far as vehicle appropriations, we agree with the County Executive in cutting a million this year but disagree and leave a million in for next year so that our fleet doesn't age out too quickly. We strongly support tobacco education funding and reject the County Executive's proposal to reduce Tobacco Cessation Programs and Tobacco Education

Programs. We preserve the million dollars in the Suffolk County Community College Reserve Fund, we increased the amount we take out of the Ball Park Fund but agree with the County Executive that's an appropriate place to look for money.

We adopt his policy of abolishing vacancies in the current budget.
We keep in effect the MERV operation patrolling the east end waters as a policy initiative. We do not adopt some of the other ones including the Islip Airport revenue that the County Executive does, we increase Real Estate, Auction of Surplus County Property Funds. And currently there is the Suffolk Health Plan offset of $2 million which is a surplus in there, it is part of 1228, we are just checking that out a little further to make sure that it is an appropriate transfer; in the event that it's not, it certainly is my intention to amend the bill before Monday, but we are still waiting for some fine tuning and words on that.

Other than that, I will say that -- and I do -- I am certainly not saying that the County Executive supports 1228 over their bill or that they are officially endorsing that bill, but I do have to say I have met with members of the County Executive staff, our goals are the same and by mirroring many of the County Executive's proposal, I believe that the County Executive's Office does agree, at least in part if not in total, with many aspects of 1228 and the concept of moving forward with it. And I would encourage my colleagues to do that, Mr. Empty Chair; it was for everyone's benefit, not just David's. I would be happy to answer any questions or hear any other comments from Legislators. Legislator Lindsay, only because I heard the gasp in breath.

LEG. LINDSAY:
No.

CHAIRMAN CRECCA:
No, I meant that you were going to speak.

LEG. LINDSAY:
I have a lot of thoughts on both 1228 and 1140, I really have pause with both of them. I applaud the work that's been done so far in that the -- how both plans recognize the core there of the pay-as-you-go and to do something with refinancing of debt service and whatever. I really think that it's -- both efforts are a work in progress and I would like to see them continued to come up with a comprehensive plan that everybody could agree on.

I think going into this we should keep in mind one thing, that the '04 budget was adopted last fall by this body and was signed by the County Executive and it's a reputable budget, you know, it's going to produce a surplus. We're tinkering now to do something with '05 very early in the year which is really unprecedented since I have been here, but by some of the projections, the dire projections, I think it's justified. And I wholeheartedly agree with this effort both by the Legislature and by the County Executive to try and do something to salt (sic) away money for next year.

One of the things we did in '04 with the '04 budget was to increase the Reserve Fund with in mind that '05 was going to be very difficult, so we saw this problem coming last fall. I just have a couple of suggestions, either that we release both bills to the Legislature and let the full body vote on them or that maybe we should separate.

Because in each package there's things I agree with and there's things I don't agree with and, you know, maybe a different way to go with this is the different provisos in each package, if they were produced as single item bills, you know, maybe in their same effect we would be able to hammer out some kind of compromise if, in fact, the parties can't come together and produce some savings in '04 that will help us in '05.

So, you know, that's my suggestion, either put the whole package on both sides to the full body or else go back to the whole thing and separate them and let us vote on them item by item. Thank you.

CHAIRMAN CRECCA:
Legislator Lindsay, just so, you know, you understand too where we're coming from on this. Certainly we're making policy decisions. I can say as the sponsor of the bill I agree with the County Executive of the need to do this sooner rather than later.

LEG. LINDSAY:
That's positive.

CHAIRMAN CRECCA:
I'm sorry?

LEG. LINDSAY:
That's positive.

CHAIRMAN CRECCA:
Yeah, and I think that is a positive sign. I think it also does help us when we go to the rating agencies, as I think was pointed out by Paul Sabatino earlier, to be able to say that we've made cuts and we're taking actions now to address it, I think it absolutely helps us and I think our financial advisor would agree with that if he were still here.

I think that what we tried to do here was we did not believe and I still don't believe not only that they're not appropriate but that there was political will to do things like cut Tobacco Education Programs, I don't believe that there was political will or a programmatic desire to do some of these other things like the community college transfer and things like that and that's why those were taken out of the bill.

But just so everyone is clear, this is not a disagreement between the County Executive and the Legislature, or at least me as sponsor of the bill, I'll speak for myself. We agree that there's a problem, we agree, you know, that at minimum it's 80 and they're saying at maximum they think it's 240, it doesn't matter what the number is. If we're saving 85 or $90 million over the course of two years, the objective is the same. And if we need to try and save more money we can always do that, but there's no harm in saving the taxpayers money where we can, number one.

Number two is, and I understand your concern about budgeting 2005 now, but let me make something clear; and if I'm wrong, Budget Review can correct me or the County Executive's Budget Director. But what both bills do, no matter how you look at them, is they actually amend the 2004 budget with the exception of the suspension of pay-as-you-go, they don't really per se effect 2005. We can't cut 5% of say spending in vehicle -- I'm sorry, in supplies and materials in 2005 because we don't have a 2005 budget yet. So the bill doesn't actually do that, it proposes as a policy that we do those things but we will still have those decisions to make for the 2005 budget.

Also, suspending pay-as-you-go for the two year period doesn't prevent us from making a policy decision or from funding pay-as-you-go for next year. All it does is make a decision now that we have -- if we decide to not fund pay-as-you-go next year, we have another mechanism, the bonding mechanism to pay for those expenses. We could still sit down -- you know, let's say we ended up getting $200 million in relief from the State, we may decide, A, to reverse -- I know, it is pretty funny and I say it with much jest -- but you know, this doesn't box us in for 2005 by any means. We certainly could put $20 million or $30 million in pay-as-you-go in 2005 and pay for those things without bonding them, this just leaves us another option.

1228 was set up, you know, it adopts the new policy for level debt spending for next year, but those decisions will still be made. That doesn't mean they have to do level debt spending but we're leaving the -- I'll call it the Executive Branch of government meaning the Comptroller, the Treasurer, the County Executive, the flexibility to get the best deal they can when they're going out for new debt and that will -- we estimate anywhere between seven and $10 million will be saved as a result of that. I don't think -- and the County Executive disagrees with that policy change. It, again, allows them to do their job better, the Executive Branch of government.

So there's nothing, I really don't think, other than the point that David made and that's a policy decision you have to make about pay-as-you-go, but I don't think there's anything else that's that controversial in this bill that should prevent us from moving forward with it.

LEG. BISHOP:
(Inaudible).

CHAIRMAN CRECCA:
Number two is, you know, the failure to move forward with it, I believe the County Executive was right in wanting to move this long quickly, that's one of the reasons we're having this meeting on March 9th as opposed to having it next week, because it still allows time for some changes in the bill if they need to be made between now and Monday, although I tried to have every change that we anticipate done with the exception of the HMO money transfers done already. But understand that we are in a position now to move forward on this. We will theoretically, if it does move forward, adopt it at the March 23rd meeting. We will before the rating agencies, I believe the date is April 22nd is the date that sticks in my head that myself, Presiding Officer Caracappa, members of the County Executive staff, the Comptroller's staff and the Treasurer's staff will be attending the rating agencies. And I believe it's incumbent upon government to move forward with whatever we feel is appropriate so that we can go there and say that we are taking the steps necessary to deal with our 2005 budget and beyond.

So for all of those reasons and for all of the hard work that went into this both by the County Executive and their staff, Budget Review, the Comptroller's Office and our paid financial experts, so to speak, for the County, I think this is ripe and ready to move forward and I would encourage again my colleagues to do so. Legislator -- Presiding Officer Caracappa.

P.O. CARACAPPA:
Thank you, Mr. Chairman. I am not a member of this committee but I will exercise my power as Presiding Officer to vote on some of the items on today's agenda.

We all agree, as has been said time and time again, that we should move forward with some plan, whether it's items that the County Executive brought together early on -- and we all know the County Executive did bring things over early on and we appreciate that -- or if it's the things that some of the Legislators and the sponsor, Legislator Crecca, had put forward. Just so everyone knows, and I'm sure it was stated but I've been in contact with Mr. Sabatino, the County Executive, this is a work in progress. The bottom line is we all agree that we should start piling up a fund balance that will help us in '05 now.

We have met with the County Executive, we will continue to meet with the County Executive trying to mix and match our ideas in an effort to come up with something we all can live with, and that's basically the process and we're following that process. There are things in the bill that we're going to pass today that I personally don't like but it's a give and take such as the pay-as-you-go. Legislator Bishop, you and I have been strong advocates of not bonding items that are of small value or limited life span, but we do have options with relation to pay-as-you-go just as we did last year when we did a budget note at the end of the year. The end of the year is a very important time of the year, especially with relation to budgets because we're going to know much better what's going on with our finances at the end of the year; not so much now because there are too many variables in play.

We have a State budget that's going to effect this County in a major way, whether it be relief through Medicaid cap, whether it be pension relief, we don't know yet and we won't know what the major impact for '05 is until we know what the State's doing. We also have to watch closely what's happening with sales tax over the remainder of the year. Early indications show that we're doing very well, hopefully with the economy rebounding to a certain extend, the County will continue to do well in sales tax receipts. All this has to play out first and we shouldn't really put the cart before the horse and say that this bill and all the actions that we're taking now will define what will be the case in '05.

This is a good first step, I encourage that we continue between now and the General Meeting to continue to work with the County Executive and make sure that we do have a bill. Regardless of who's bill it is, the number on it, who put it forward first, what's in it, as long as what is in it works for the Legislature, for the County Executive, but more importantly the people of Suffolk County. So with that, I'd like to come in and cast my vote in favor of the Crecca bill.

CHAIRMAN CRECCA:
And I just want to add very briefly that, and I think it was stated either by Mr. Bortzfield or Mr. Sabatino earlier, you know, this is a quote/unquote Phase I. These -- whatever we do, this is an initial step. As we get more information and we gather more things, I'm sure we will see other proposals by the County Executive, possibly by

the Legislature and address those. But regardless, if this roughly estimates about an 80 million, $85 million savings, we all acknowledge that at minimum that's probably the problem that exists, and certainly it's incumbent upon us to move forward with it. Mr. Sabatino.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:
Mr. Chairman, thank you for the opportunity. First of all, I want to thank Presiding Officer Caracappa for having some conversations with me in terms of trying to bring a consensus together. And I want to thank the Chairman for the meeting we had the other day, I thought it was very constructive in terms of the dialogue. And I would like to take up the offer of the Presiding Officer today to have further meetings because there's only two big points I'd like to make with regard to the legislation.

I think we're getting close to a consensus, I think we're getting a meeting of the minds, but the two concerns that the Levy Administration has is that, number one, we want to be certain that the $88 million that's referred to in the backup and the $90 million that's referred to in the WHEREAS clause in fact translate into those dollar amounts. The concern we've got is that it may not be quite that much, just taking a quick look at the list. I don't think a debate today on that is going to resolve anything, I think some further meetings -- I know Fred Pollert's got a concern on the $10 million item for the level debt issue, he's going to want to have an opportunity to take a look at that. I know there's a $4 million question on the health plan monies, there's a question about the surplus property monies, the PBA arbitration award. So the $88 million may not necessarily be $88 million, so we'd like to reconcile the numbers as part of that dialogue and process that the Presiding Officer just discussed.

Also, an important issue came up earlier in the day and if there's a desire to tap into the entire Tax Stabilization Reserve Fund for the full 102 million or 86 million or whatever the number I've heard bantied about today, we need to do some things before then because you -- as the law is currently structured, you can't access that money the way things are headed, okay. The 2 1/2% is determined by the tax levy, the tax levy is not the tax warrant so -- I didn't think that there was -- going into the process, I didn't think there was a desire to tap into the entire Tax Stabilization Reserve Fund, but if there is, you know, some kind of desire which I've heard discussed today as part of the debate in some of the models, that's something we're going to have to talk about, you know, and be constructive in terms of our dialogue to try to get to a solution.

So those are the two, you know, large areas of concern that I would raise. And I would like to take up the Presiding Officer's invitation to have a meeting and if we can do something between now and the 23rd, that would be great.

CHAIRMAN CRECCA:
I'm going to move the question if there's no further comments or discussion. We have before us a motion to approve and a second on IR 1228. Legislator Lindsay.

LEG. LINDSAY:
I would like to make a motion to table this as well as the other resolution to continue the discussions with the County Executive's Office to see if we can come up with a compromise package on the whole thing.

CHAIRMAN CRECCA:

When you say a compromise package, and I guess I'll ask this question, you know, I met with the County Executive, we had discussions, the only issue -- there are two issues that there seems to be I'll call it significant disagreement on, one is the refinancing plan and whether we should be going with the heavy-loaded plan or the moderate loaded plan or the conservative business as usual plan, to use those three scenarios. The County Executive's position still favors the heavy loaded plan -- if I'm misspeaking you let me know -- but I believe they still prefer the moderate plan over the conservative plan, they still want to get some savings up front.

The only other issue that I know where there's major disagreement on is the 8.5 million, transferring that money for the Police overtime expenses. I will state on the record what I have stated previously to Legislators who have inquired and to the County Executive, whether it's right or wrong, that 8.5 million, there is no -- and Jim, if you could just confirm or deny what I'm saying, but there's no net effect difference whether we put the money into an account or it goes into surplus. I just want to leave us the flexibility to deal with that later on possibly in other ways. But the net effect is not the same whether we transfer the 8.5 million as the County Executive proposes. Jim?

MR. SPERO:

Tax effect will be the same between the two years, '04 and '05. Even if you do the 8.5 million now, you still may need additional appropriations for the PBA and Detective arbitrations, that's what Fred mentioned to me the other day.

CHAIRMAN CRECCA:

And again --

MR. SPERO:

So you still may have to do a budget note later this year to plug a hole in the Police District Fund for contract awards.

CHAIRMAN CRECCA:

And we're leaving that possibility open to do a budget note but we're also leaving the possibility for other ways to deal with that, too, we're not putting our heads in the sand saying it doesn't exist; we acknowledge it exists.

But beyond that, I don't think, with the exception of the things I highlighted like the Tobacco Education, the Community College, those transfers which we could always do at a later date if we think it's appropriate, you know, the bill is ready to be moved. There was a lot of time and effort in looking at the refinancing. Like I said, I openly acknowledge that as the sponsor of the bill I went with a plan that was much closer to the County Executive's early on, but after hearing from the Comptroller, CMA, Ernst & Young getting all those opinions of the Treasurer, you know, there was a decision that it was the more prudent course was to go with a moderate refinancing. The window for the refinancing period -- and I don't think anybody would disagree with me -- is going to come up shortly, the best time where we can maximize the savings and do that. You know, that opportunity may present itself in 30 days or 60 days or whatever, but we need to -- one of the things we need -- we can't sit on this bill, we need to move on it.

If there are -- we have to ability to make changes to this bill or any other bill up until next Monday so, you know, we'll continue to keep an open mind and work and see if there are other changes. But I would like to move 1228 at this time. Yes, Legislator Nowick.

LEG. NOWICK:
If we adopt 1228 and the six RESOLVED clause debt refinancing and issuance, that just means that we adopt the policy of refinancing, that does not say whether we're going to adopt -- does it have in here which plan we're going to adopt or this just says policy, right? We are going to do the debt refinancing and issuance and then we will decide exactly which one we're going to do.

CHAIRMAN CRECCA:
Correct, but we won't decide, the Audit Committee will decide, first of all.

LEG. NOWICK:
Okay.

CHAIRMAN CRECCA:
This gives them parameters and guidelines. The parameters set up in 1228, for example, say that PV's have got to be at least 2.5%, present value savings. And in addition, it says that that it does put some limits on dissavings in future years. I can say to you that 1228, adopting it would preclude the adoption of a plan like the heavy loaded savings plan.

LEG. NOWICK:
Okay.

CHAIRMAN CRECCA:
Okay? But you're right, it does leave them flexibility as does the new debt policy and all that. And you need to do that because you need to allow people to do their jobs like the Comptroller and the Executive Branches of government to be able to maximize the savings to taxpayers. You know, none of these numbers, you know, in the backup are exact numbers, they are estimates and they will always remain estimates no matter how much we reexamine them and look at them. The bottom line is E A is what Exhibit A is and those are the actual transfers and expenditures and things and the things that we're moving around in the budget.

LEG. NOWICK:
Okay.

LEG. BISHOP:
The PBA.

CHAIRMAN CRECCA:

There is -- did you make a motion to table or you didn't?

LEG. LINDSAY:
No, I did.

LEG. BISHOP:
I will second.

CHAIRMAN CRECCA:
There is a motion to table by Legislator Lindsay and a second by Legislator Bishop. Roll call on the tabling motion. Oh, we don't have the Clerk, I have to call the roll call. That's all right, I'll just call the vote. All those in favor of tabling? Legislator Lindsay, Legislator Bishop. All those opposed? Legislator Binder, Legislator Crecca, Legislator Nowick, Legislator Losquadro and Legislator Caracappa. ***Tabling fails (Vote: 2-5-0-0 In Favor: Legislators Lindsay & Bishop).***

There's a motion to approve and a second before us. On the motion, all those in favor? Legislator Binder, Legislator Caracappa, Legislator Losquadro, Legislator Nowick, Legislator Crecca.

LEG. LINDSAY:
Opposed.

CHAIRMAN CRECCA:
List Legislator Lindsay as opposed and Legislator Bishop as opposed. ***1228 is approved --*** now you threw off my math; one, two, three --

MS. MAHONEY:
5-2.

CHAIRMAN CRECCA:
5-2, thank you. ***(Vote: 5-2-0-0 - Opposed: Legislators Lindsay & Bishop).***

1140-04 - Adopting Phase I shared responsibilities comprehensive no frills budget plan to protect taxpayers against fiscal crisis and ensure affordable County government (County Cost Cut Component). (County Executive).

LEG. BINDER:
Motion to table.

CHAIRMAN CRECCA:
Motion to table by Legislator Binder, seconded by myself. All those in favor? Opposed? Who's opposed?

LEG. LINDSAY:

Opposed.

CHAIRMAN CRECCA:

Okay, list Legislator Lindsay as opposed. 1140 is tabled (Vote: 6-1-0-0 Opposed: Legislator Lindsay).

1141-04 - Adopting Phase I shared responsibilities comprehensive no frills budget plan to protect taxpayers against fiscal crisis and ensure affordable County government (County Policy Component) (County Executive). Same motion, same second, same vote.
Tabled (Vote: 6-1-0-0 Opposed: Legislator Lindsay).

1142-04 - Adopting Phase I shared responsibilities comprehensive no frills budget plan to protect taxpayers against fiscal crisis and ensure affordable County government (County Cost Cut Component). (County Executive). Same motion, same second, same vote.
Tabled (Vote: 6-1-0-0 - Opposed: Legislator Lindsay).

1182-04 - Transferring contingent funding for various contract agencies (Phase I) (Presiding Officer Caracappa). Do I have a motion.

LEG. BINDER:

Motion.

CHAIRMAN CRECCA:

Seconded by Legislator Bishop. All those in favor? Opposed?
1182 is adopted (Vote: 7-0-0-0).

1184-04 - Amending the 2004 Operating Budget and transferring funds for Family Service League Social Service and Youth Program (Cooper).
This is $52,488 budget transfer using pay-as-you-go as an offset.
Do I have a motion?

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

Mr. Chairman?

LEG. BINDER:

Motion to approve.

CHAIRMAN CRECCA:

Motion to approve by Legislator Binder.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

Mr. Chairman, sorry to interrupt but it's pay-as-you-go money which would -- the transfer I believe is pay-as-you-go money which --

CHAIRMAN CRECCA:

Okay. My understanding is in 1228 -- I know, you're saying it might be inconsistent with 1228.

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

Yeah, I just want to --

CHAIRMAN CRECCA:

We leave a half of million dollars in pay-as-you-go, there's $500,000 left; is that correct, Budget Review?

CHIEF DEPUTY COUNTY EXECUTIVE SABATINO:

In the new version?

MR. SPERO:

Yeah, the resolution was changed to leave $500,000.

CHAIRMAN CRECCA:

Yes. I'm sorry, I thought I highlighted that before; if I didn't I apologize. So there is enough money in pay-as-you-go to support this transfer, it's a matter of whether on the merits you support the
52,488. There's a motion by Legislator Binder. I'm going to make a motion to table at this time leaving that option open. Is there a second on the motion to table?

LEG. NOWICK:

Second.

CHAIRMAN CRECCA:

By Legislator Nowick. All those in favor?

LEG. BINDER:

Opposed.

CHAIRMAN CRECCA:

Opposed? Legislator Binder is opposed to the tabling of 1184.
1184 is tabled (Vote: 6-1-0-0 Opposed: Legislator Binder).
1186-04 - Amending the 2004 Operating Budget and transferring funds for the Town of Southampton Youth Bureau (Foley). This is a $12,500 transfer; what's the offset on this one, Jim?

MR. SPERO:

This is transferring money that was included in the budget in the Omnibus bill, it's just designating funding for the

Town of Southampton to conduct an east end youth summit.

LEG. BISHOP:
Motion.

LEG. LINDSAY:
I'll make a -- second.

CHAIRMAN CRECCA:
Okay. Motion to approve by Legislator Bishop, second by Legislator Lindsay. All those in favor? Opposed? ***1186 is approved (Vote: 6-0-0-0).***

1198-04 - Amending the 2004 Operating Budget and transferring funds to the Downtown Revitalization Program (CP 6412) and making a technical correction (Alden). It makes a technical correction. Is this the same situation with this one, Jim, 1198?

MR. SPERO:
These were funds also included in the Omnibus. Legislator Alden wants them transferred to the Capital Project for Downtown Revitalization and be carried out under there.

CHAIRMAN CRECCA:
Motion by myself, seconded by Legislator Lindsay. All those in favor? Opposed? ***1198 is approved (Vote: 7-0-0-0).***

1200-04 - Amending the 2004 Operating Budget and the Salary and Classification Plan to establish a compliance officer to insure accountability (Caracciolo). I have a request from the County Comptroller to table this.

LEG. BISHOP:
Second.

CHAIRMAN CRECCA:
I'll make a motion to table, seconded by Legislator Bishop. All those in favor? Opposed? ***1200 is tabled (Vote: 7-0-0-0).***

1201-04 - Appropriating funds for planning, renovations/improvements to the Cohalan Court Complex (CP 1125) (Crecca). This is $200,000, this was part of the original Capital Budget Program. I'll make a motion to approve.

LEG. LINDSAY:
Second.

CHAIRMAN CRECCA:

Seconded by Legislator Lindsay. All those in favor? Opposed?

1201 is approved (Vote: 7-0-0-0).

1202-04 - Amending the 2004 Operating Budget and transferring funds for the testing of birds for West Nile Virus (O'Leary). This uses pay-as-you-go as an offset in the amount of $275,000. I'll make a motion to approve. Is there a second?

LEG. LOSQUADRO:

I'll make a second. I would just also like to put on the record that there is a correction, that now all references to birds say mosquitoes; I have the corrected copy here.

CHAIRMAN CRECCA:

The corrected copy has been filed?

LEG. LOSQUADRO:

Yes.

MS. KNAPP:

I believe it has.

CHAIRMAN CRECCA:

We're not going to protect --

LEG. BISHOP:

May we start with a request for an explanation from the Counsel?

CHAIRMAN CRECCA:

Sure.

MS. KNAPP:

What, the resolution or the change to the --

LEG. BISHOP:

No, no, the resolution, just describe the parameters.

LEG. BINDER:

And the change.

MR. SPERO:

The change was requested by the Health Department in the language.

CHAIRMAN CRECCA:

We don't want to protect mosquitoes.

LEG. BISHOP:

What is the resolution, what does it do?

MR. SPERO:

The bill is to provide funds for additional testing of mosquitoes because apparently what happens --

CHAIRMAN CRECCA:

Of birds.

MR. SPERO:

-- is that the tests are sent outside and it takes a month or so or whatever the time frame is to get the test results back. So this is an effort to use on the Health Department's part to use local testing so they can get the results back sooner, find out if the mosquitoes have West Nile Virus in them.

CHAIRMAN CRECCA:

Which allows -- it's a -- if I can explain a little bit only because I know about this issue from when we dealt with it a couple of years back when West Nile was fairly prevalent that year. We had a problem where it was taking so much time to test the birds that were coming back that one of the problems we were experiencing was taking remedial action in areas where there was a threat of the spread of the West Nile Virus was delayed. I had had these conversations when Clare Bradley --

LEG. BISHOP:

This wasn't in the 2004 budget, this popped up between budget adoption and today? And we're using the pay-as-you-go money of which you only have $500,000 for not even something that pay-as-you-go was contemplated for but something entirely different.

CHAIRMAN CRECCA:

Can I make a recommendation?

LEG. BISHOP:

Please.

CHAIRMAN CRECCA:

I will be happy to, so we can get more information and have health look at this too, to make a motion to discharge without recommendation at this point so that at least it's before us. I do believe it is timely but, again, that was the way it was presented to me so we can have more information; that doesn't bind anybody at the General

Meeting.

LEG. LINDSAY:
Wouldn't it be more appropriate to table it until we get more information? I mean, we're talking about early March now, you know,
I don't know whether we're going to get into the testing mode for a couple of months yet.

CHAIRMAN CRECCA:
Well, actually we are coming right into the season. If you wait until another cycle, I'm just trying to let you know, part of the problem is you're getting into a testing cycle, you would be beyond the testing cycle by the time it was signed into law, should it go that far.

LEG. LINDSAY:
My reservations are the same as Legislator Bishop's in that if 1228 is passed at our next meeting, we're going to have very limited resources in pay-as-you-go and this will literally tap half of those resources. And I have a concern why this wasn't requested when we were working on the Operating Budget in '04, why does it pop up now?

You know, I know we're all going down a path of fiscal conservatives and part of that is we're going to as a body have to practice --

CHAIRMAN CRECCA:
Yeah, I don't disagree with you and that's why I'm going to change my motion from a motion to approve. I understand your position, Legislator Lindsay, and I'm changing it to a motion to discharge without recommendation for the following reason. If this is time sensitive and there is a legitimate basis that it needs to move forward, at least we'd leave ourselves that option and that's why I'd like to -- I am going to make that motion. I certainly will ask the Presiding Officer's staff and Budget Review to look into -- well, actually ask the PO staff, if you don't mind, to look into from the Health Department as to the need for this and also, you know, look at -- ask Budget Review to just reexamine and see if there's a more appropriate offset should action be warranted. Question from -- is there a second on my motion to discharge without recommendation?

LEG. BINDER:
Second.

CHAIRMAN CRECCA:
Second by Legislator Binder. Question by Legislator Nowick.

LEG. NOWICK:
Is there any chance that with something like this that the County receive any type of a grant since it is a very strong health issue; does anybody know the answer to that? Can the doctor from -- what is it, Mermelstein, maybe she would know the answer, maybe she can come before us.

LEG. BINDER:

She's not here.

CHAIRMAN CRECCA:

Again, the Health Committee hasn't met, but certainly I can ask the Health Committee to make an inquiry into this area, too. So I think those are all legitimate questions that are being asked.

LEG. LINDSAY:

If I might have the floor again.

CHAIRMAN CRECCA:

Yes.

LEG. LINDSAY:

The other thing, too, is again, we're going down a road where we have very limited pay-as-you-go money. It might be helpful if the Department of Public Works presented us with a prioritized list of immediate repairs to some of our facilities that have to be done to avoid further damage or, you know, something like that.

CHAIRMAN CRECCA:

And that's not a bad idea but that should be done in Public Works, number one. Number two is there's nothing stopping those projects from moving forward, it just means if they were originally coming out of pay-as-you-go --

LEG. LINDSAY:

I know but, again, if we had something like that in front of us, you know, it might help us to use restraint on some of these things.

CHAIRMAN CRECCA:

Certainly, and I'd ask you to forward that request, if you would, to Legislator O'Leary, he's the Chairman of Public Works.

All right, so I have a motion to discharge without recommendation on 1202 before me. All those in favor? Opposed?

LEG. BISHOP:

Opposed.

CHAIRMAN CRECCA:

List Legislator Bishop as opposed. ***1202 is discharged without recommendation (Vote: 6-1-0-0 Opposed: Legislator Bishop).***

1212-04 - Amending the Adopted 2004 Operating Budget and transferring funds and creating the

position of Executive Director of the Suffolk County Ethics Commission (County Executive). Also we had skipped over, if my recollection serves correctly, 11 -- I'm sorry, 1099 which was Cooper's bill to fund the Director of the Suffolk County Ethic's Commission. Budget Review, can you tell us the difference between the two bills, 1099 and 1212?

MR. SPERO:
1212 creates the position of the Executive Director but it doesn't transfer funds.

CHAIRMAN CRECCA:
Say that again.

MR. SPERO:
1212 creates the position of Executive Director but does not transfer funds for the position.

LEG. BISHOP:
Just how I want it.

CHAIRMAN CRECCA:
And 1099 --

MR. SPERO:
Does both, it transfers money out of the automobile account and creates the position.

CHAIRMAN CRECCA:
All right. I don't know why we need an Executive Director but that's another issue.

LEG. LINDSAY:
Can we hear from the County Exec on this?

CHAIRMAN CRECCA:
Yeah, I was just going to say, can we hear from the County Executive on this bill? And I assume there's no fiscal impact since it's not transferring funds.

MR. KNAPPE:
Introductory Resolution 1212 does not transfer funding for the position. The County Attorney's Office as of right now in appropriation 1420 in their Permanent Salary Account has sufficient funds for this position to be started right after the General Meeting, there is sufficient funds in their 110 Account.

LEG. LINDSAY:
I make the motion.

CHAIRMAN CRECCA:

There's a motion by Legislator Lindsay. Seconded by?

LEG. BISHOP:

Yes, I'll second.

CHAIRMAN CRECCA:

Reluctantly by Legislator Bishop. I would just ask, you know, for -- I will vote with my colleague Legislator Lindsay on this but I'd like to see what the job description is and what the need is for Executive Director, before we proceed forward with this. I haven't seen, unless you guys have issued a memo about it, I haven't seen --

LEG. LINDSAY:

We have an answer.

CHAIRMAN CRECCA:

We have an answer; come on down.

MS. CHAYES:

I have it.

LEG. BISHOP:

Talk about experience.

CHAIRMAN CRECCA:

Just if you don't mind, you need to state your name and title for the record so the reporter can get it, and your rank and your serial number also.

MS. CHAYES:

Kris Chayes from the Civil Service Department, I'm a Principal Personnel Analyst.

CHAIRMAN CRECCA:

Kris, what can you tell us?

MS. CHAYES:

With the Executive Director of the Suffolk County Ethics Commission, we did receive a duty statement -- you have to excuse my voice, I'm losing it here. We did receive a duty statement from the Law Department before the end of last year on this, this is a position that is in the Suffolk County charter. There are no Civil Service problems with it, it would be in the exempt jurisdictional class, grade 25. Basically we had asked that the duty statement we receive be attached for the Legislators here, I'm not sure if you did receive that; if you didn't, I can give you a copy.

CHAIRMAN CRECCA:

Could you share with us what -- I mean, is it a long duty statement?

MS. CHAYES:
No, I will read it to you. And if this passes today to create the title, we would base our job description or duty statement, our job specification on this duty statement.

"This position would be responsible for carrying out and implementing the policies of the Ethics Commission. The incumbent would act in the name of the commission between meetings of the commission, and that's as specified in the Charter, responsible for completing staff review of financial disclosure statements in a manner consistent with the terms of the commission's delegation; would inspect all financial disclosure statements filed to ascertain whether any person subject to such reporting requirement has violated any Local Law governing conflicts of interest or prohibited activities; would notify in writing any person who failed to file a disclosure statement or who filed a deficient statement or files a statement which reveals a possible violation of any adopted Code of Ethics, Local Law Ordination Ordinance or resolution; helps prepare annual written reports submitted to County Exec and the Legislature; summarizing activities of the Ethics Commission; recommends changes in laws governing conduct of local elected officials, local political party officials and local officers and employees.

CHAIRMAN CRECCA:
You could stop because those are the things that the Ethics Law does.

MS. CHAYES:
Basically these are all the items in the Charter.

CHAIRMAN CRECCA:
But currently those functions are being provided by who?

MS. CHAYES:
No one that we are aware of.

LEG. BISHOP:
An attorney in the County Attorney's Office.

CHAIRMAN CRECCA:
The County Attorney's Office, is that correct?

MS. CHAYES:
The County Attorney's Office, but I don't know who specifically or what title.

CHAIRMAN CRECCA:
It's John Holownia; I mean, I was asking the question sort of just to --

LEG. LINDSAY:

Is that a rhetorical question?

CHAIRMAN CRECCA:

No, it really wasn't rhetorical, it was just to have the information on the record. I believe that the County Attorney is providing those services currently and Mr. Holownia I think is the attorney who is assigned to fulfill those duties.

LEG. BISHOP:

Mr. Chairman, even though I'm a cosponsor, maybe the answer is to reclassify or to give him a title. You know, like the Consume Affairs dude, he got another title, he got a Weights and Measures title, right?

CHAIRMAN CRECCA:

Yes, he has many titles.

LEG. BISHOP:

Right, so maybe that's a fiscally prudent --

LEG. LINDSAY:

That isn't before us.

LEG. BISHOP:

Well, we can contemplate that.

CHAIRMAN CRECCA:

I'm thinking about it. Legislator Nowick.

LEG. NOWICK:

I had the same question; who's doing it now? Somebody must be doing it, now we know it's John Holownia that's doing this. Will it cost us more money to have somebody else doing the job that John {Helonia} is already doing? It's just a question.

MS. CHAYES:

This would create a grade 25 position, in AME the step I for that position is 53,505, so it would be an additional position to the Department of Law. I'm not sure what the individual doing it in the department of law now, if they would be assigned to other duties, I assume they would.

CHAIRMAN CRECCA:

I'm going to make a motion to table, not because I'm opposed to the bill, just so we can sort of clarify this and find out if the intention is to reclassify Mr. Holownia or put someone new in that position. Seconded by Legislator Bishop. All those in favor? Opposed?

1212 is tabled (Vote: 7-0-0-0).

1099, which we skipped over before, do I have a motion on that? ***1099 is amending the Adopted 2004 Operating Budget and transferring funds and creating the position of Executive Director of the Suffolk County Ethics Commission (Cooper).*** It's the Cooper bill regarding -- creating the position of Executive Director and using other monies to offset that. There is a motion to --

LEG. BINDER:
No motion.

CHAIRMAN CRECCA:
There's no motion? ***1099 fails for lack of a motion.***

1215-04 - Implementing Operating agreement between the County of Suffolk and the Suffolk County Campaign Finance Board (County executive). Is there a motion?

P.O. CARACAPPA:
I will make a motion to approve for the purpose of defeating.
LEG. BISHOP:
Did you just fly in here and make a motion?

CHAIRMAN CRECCA:
He can do that. Yes, read the rules, it's always been the rule of the Legislature. He's an ex officio or he's just a member of every committee, he's a --

P.O. CARACAPPA:
I will withdraw my motion if there's no motion.

CHAIRMAN CRECCA:
There's no motion on 1215.

LEG. BISHOP:
Motion to table.

CHAIRMAN CRECCA:
Motion to table by Legislator Bishop.

P.O. CARACAPPA:
I maintain my motion then.

CHAIRMAN CRECCA:

There's a second by Legislator Lindsay. All those in favor? Opposed? I have Legislator Caracappa, Binder, Losquadro and Legislator Nowick opposed, and myself to tabling.

LEG. BISHOP:

Motion to approve.

CHAIRMAN CRECCA:

There's a motion to approve by Legislator --

LEG. LINDSAY:

I will second it.

P.O. CARACAPPA:

Mr. Chairman?

CHAIRMAN CRECCA:

Yes, Presiding Officer Caracappa.

P.O. CARACAPPA:

Just so committee members know, this is the County Executive asking our Budget Review Office to pay out of our 456 Account for the Campaign Finance Board, after we set the policy in our own budget amendments last October to pull the funding out of our 456 Accounts from our Budget Review Office. So we'd basically be reversing our policy, which isn't the first time but just --

LEG. BISHOP:

Then I'd ask you to reconsider my motion to table to give it time.

P.O. CARACAPPA:

-- utterly ridiculous.

CHAIRMAN CRECCA:

There is a motion to table by Legislator Bishop.

LEG. BISHOP:

I made that motion; you guys have to reconsider it.

LEG. NOWICK:

That failed.

LEG. BISHOP:

All right, motion to table subject to call; how's that, does that make everybody happy?

LEG. BINDER:

No.

LEG. BISHOP:

Then I renew my motion to approve.

MR. KNAPPE:

Just a clarification.

CHAIRMAN CRECCA:

Yes; even I'm confused at this point.

MR. KNAPPE:

I don't know if I'm allowed to do that from this side. Just to clarify, the budget process last year created the agency Campaign Finance Board, CFB, with no funding to it. It has continuously been funded in the Budget Review Office, 4770 I believe is the account.

CHAIRMAN CRECCA:

And we --

MR. KNAPPE:

Before that it was budgeted in the Board of Elections, so currently it is in the Budget Review Office. This resolution is taking the money out of Budget Review Office so they do not have to administer this.

CHAIRMAN CRECCA:

Okay, I understand that. It takes it out of the Budget Review Office and puts it where?

MR. KNAPPE:

Into the Campaign Finance Board as was prescribed in the Omnibus that was passed, it funds it this time, in the Omnibus it was with a zero dollar amount.

CHAIRMAN CRECCA:

But understand that both Legis -- every Legislator I think that's at the horseshoe right now, or just about every Legislator, voted for the Omnibus because we did not believe the Budget Review Office is an appropriate place to fund the Campaign Finance Board. So we --

MR. KNAPPE:

We're continuing that process --

CHAIRMAN CRECCA:

Okay.

MR. KNAPPE:

-- by having the second round of this go through because the Omnibus did not transfer any funding for that.

CHAIRMAN CRECCA:

Well, I can just tell you that I don't personally support as a Legislator taking money out of Budget Review to fund this, that's all. Did you have something you wanted to add; I apologize, I forgot your name.

MS. CHAYES:

Kris.

CHAIRMAN CRECCA:

Kris.

MS. CHAYES:

This would also make the position a grade 17, it was originally put forth as a grade 30 and this puts it more in line with the duties and responsibilities that the actual position has.

LEG. BISHOP:

This is bad or good?

CHAIRMAN CRECCA:

Thirty is better than 17 I think.

LEG. BINDER:

Is it currently a 30?

MS. CHAYES:

The individual is currently a contractual employee, they are -- the board originally asked for a grade 30, which was inappropriate for the duties of the position as it exists now. Civil Service has recommended the grade 17 which is more in line with the duties and responsibilities of the position which is a standalone position with no staff which operates under prescribed guidelines and oversees an amount of money that is less than the incumbent's salary.

CHAIRMAN CRECCA:

He's a contract vendee right now, though, isn't he?

LEG. BINDER:

Right, he's in contract right now.

MS. CHAYES:

Yes.

LEG. BINDER:
So he's not a 30 as of now?

MS. CHAYES:
Not a 30, but that is what the board had recommended.

LEG. BINDER:
Okay, but there's no change. There's no change in the 17 in that he isn't a 30, so it's just change from recommendation then.

CHAIRMAN CRECCA:
Presiding Officer Caracappa.

P.O. CARACAPPA:
It was brought to my attention that there is no contract currently, he's not getting paid. He's over across -- next door sitting in his basement office now ringing his hands doing something. Why, why is he there? He's not really considered a County employee right now; why is he sitting there? Is there liability? I want to know from the County Attorney's Office what's the downside of that guy sitting there right now when he's not getting paid, he's not a County employee, he's sitting in a County facility doing something down there, like I said, like a mad scientist of some sort, so what's the deal? I think he actually, to be quite honest with you, should be removed from the County facility.

LEG. BINDER:
What if he gets hurt, if he slips and falls? Mr. Chairman, I mean, that is a big question. I don't know if our Counsel just maybe would consider that a legal question. If we have a non County employee acting in a capacity almost as a County employee and gets hurt; let's say he gets up to get a glass of water, slips on the floor, bangs his head, hurts himself badly, is the County liable for someone who is not a County employee, should we have someone --

LEG. BISHOP:
(Inaudible).

LEG. BINDER:
I mean, we have a self-insurance. I mean, I wouldn't even know what the liability would be.

MS. KNAPP:
I think that if the question is would he be covered by Worker's Compensation, I think that's, you know -- it's a question that we would certainly argue about. Was he ever a County employee? If he was, was there an expectation that he would be continued as a County employee? I think that you're raising a lot of legal questions

about his status and whether or not -- you know, whether he's at this point in time a holdover.

LEG. BINDER:
So let me ask someone from the County Attorney's Office, Ms. Bizzarro is here from the County Attorney's Office, maybe you can answer what would be our position if Mr. Lutz was hurt on the job, is he entitled to Worker's Compensation? Can you tell us if it's a good idea for the County to have him on the job while he has no contract with the County?

MS. BIZZARRO:
Did he ever have a contract with the County?

LEG. BINDER:
He had a contract with the County, he doesn't have one now.

MS. BIZZARRO:
How long ago did he have a contract?

LEG. BISHOP:
Last year.

LEG. BINDER:
It must have last -- it was through last year? The end of last year, so he hasn't had one I think since January. So we've got January, February, March, he's now into three months of not having a contract. Is it a good idea for the County to have him in a working position, actually working for the County and coming to work and having a desk and actually showing up for work?

MS. BIZZARRO:
Who has authorized him to do that?

LEG. BINDER:
I can tell you it's not the Legislature. I mean, I would assume it's got to be across the street, someone somewhere in the County Exec's Office, somewhere -- whoever his boss is, I don't even know who the boss would be. Someone is authorizing it otherwise I would assume -- he has a pass to get in, he's got to have a pass, he's got to be able to get through security.

MS. BIZZARRO:
Well, I think Ms. Knapp said that this raises many issues that have to be looked at regarding any potential liability.

LEG. BINDER:
Okay.

MS. BIZZARRO:

You know, should he fall and get hurt, there are some issues that --

LEG. BINDER:

Right. We would hope then you'd take it back that maybe while someone doesn't have a contract they shouldn't have security to get into buildings; now if he gets a new contract then that's a whole different question.

MS. BIZZARRO:

We will absolutely look into it.

LEG. BINDER:

Thank you.

LEG. BISHOP:

What do we have?

CHAIRMAN CRECCA:

I've got a motion to table subject -- you withdrew your table motion; correct, Legislator Bishop?

LEG. BISHOP:

No, my tabling motion was defeated.

CHAIRMAN CRECCA:

Okay. So then you made a motion to table subject to call which you're now withdrawing?

LEG. BISHOP:

No, table subject to call and just get rid of it.

CHAIRMAN CRECCA:

There's a motion to table subject to call; is there a second on that? The motion to table subject to call fails for --

P.O. CARACAPPA:

Yes, that's fine.

LEG. BINDER:

No.

CHAIRMAN CRECCA:

It fails for lack of a second. And there is no motion to approve.

LEG. BISHOP:

I have a motion to approve and that fails for lack of a second.

CHAIRMAN CRECCA:
Okay, there is a motion to approve by Minority Leader Dave Bishop.
It fails for lack of a second and, therefore, 1215 fails for lack of a second.

I am now going to jump into the public portion and call up Paula Grant who has been waiting patiently, if she's still out there. Yes, you are, Paula; did you fall asleep yet?

CHAIRMAN CRECCA:
To comment on 1225 before we take action on that.

MS. GRANT:
Good afternoon. My name is Paula Grant and I'm the Division Administrator of the Suffolk County Child Support Bureau and I'm here to comment on Resolution 1225.

The 2004 budget provided $76,573 to develop an RFP to assist in the provision of legal services for non custodial parents. As I began the process to review the current needs of the bureau, it became clear to me that having additional legal services is not the bureau's most pressing need. I spoke with the County Attorney's Family Law Bureau which is the provider of legal services for clients of the Child Support Bureau and they advised that although having had the Family Law Clinic available to us to provide ancillary services, the last six years had been helpful, that they could handle the additional number of cases that the law clinic had handled in past years; it will be more work for them but they felt that they could handle those cases.

Suffolk's CSEB provides services to almost 52,000 cases, that's 104,000 parents, and it's a struggle. While we're one of the most, if not the most successful of the local programs in New York State, we still have a long way to go to provide timely services to our parents. The funds in the 456 Account, if left there, could help us to develop programs to enhance our accounting and bookkeeping areas which are areas of service that need assistance that would help us to serve many more families.

The Legislature provided CSEB with ten new positions in the 2004 budget, but I'm told that I'm not going to have a chance of seeing any of those new staff before at least May because there was not sufficient funding provided to hire for the entire year. Filling those staff positions would be more help to more of the families served by CSEB.

I have sat here all morning and listened to how difficult financial times are and I know that everybody, including me, wants to spend the C funds in ways that would be most beneficial to a large number of the clients and constituents that we all serve. I hope that you will take my comments into consideration as part of your deliberations on this resolution. Thank you.

CHAIRMAN CRECCA:
Paula, if you could remain up there for a moment, I just have a couple of questions for Budget Review. Jim, the money that's in the 456 Account, would it even be able to be used for the services that

Ms. Grant is speaking of?

MR. SPERO:

Whatever the Legislature designates the money for.

LEG. BINDER:

Mr. Chairman, can I follow-up on that?

CHAIRMAN CRECCA:

Sure.

MR. SPERO:

This reverses an action taken in the Omnibus bill last year.

LEG. BINDER:

Right. Let me ask you a question then. If it could be used, that would mean that we would have to put it in as a Davis budget amendment, right?

MR. SPERO:

This is a Davis budget amendment.

LEG. BINDER:

Right, but to use it for something else would have to be at another time meaning I would have to put it in --

MR. SPERO:

Or an amendment to --

LEG. BINDER:

Well, I would have to amend it.

MR. SPERO:

The next cycle is May.

LEG. BINDER:

So the next cycle; when's the next cycle?

MR. SPERO:

May.

LEG. BINDER:

May. So when they were talking about needing, they couldn't get the positions anyway, we wouldn't be able to put this in until then anyway so it doesn't make a difference.

CHAIRMAN CRECCA:

Allen, one more question for Jim, too. When we -- did we -- we took the money from this Family Law Clinic, we put it into the 456 Account? Because I remember that we didn't cut it, we just --

MR. SPERO:

That's correct, it was just moved to another account, Fees For Services Account.

CHAIRMAN CRECCA:

Okay. So -- and let me ask you this, Ms. Grant. Forgetting about -- I understand what you're requesting and the importance of that and I'm not minimizing that, it's not the Touro Family Law Clinic Program that you -- you're not opposed to that program.

MS. GRANT:

Absolutely not. They did a very good job for the families that they helped, I have nothing but respect.

CHAIRMAN CRECCA:

Okay. It's just that you need money for some of this other stuff.

MS. GRANT:

Yes, sir.

CHAIRMAN CRECCA:

Okay. And that's certainly something that this Legislature needs to take a serious look at.

LEG. BISHOP:

Can't you and the sponsor work something out?

CHAIRMAN CRECCA:

Ken, you had a comment you wanted to add? I'm sorry.

MR. KNAPPE:

I just want to put on the record, it was brought to my attention that in the tenth RESOLVED clause of the Omnibus from last year it prohibits any type of funding going to contract agencies that did not comply with Legislator Carpenter's law as far as disclosure. And the Comptroller's Office issued a report stating several contract agencies that did not comply with that disclosure review back in October of 2003 and the Touro Law School is one of those that are not compliant of Legislator Carpenter's law. So I was asked to put that on the record for the Legislature.

LEG. BINDER:

Mr. Chairman?

CHAIRMAN CRECCA:
Yes, Legislator Binder.

LEG. BINDER:
I don't know the reason for them doing that, but I also know that we're not talking about a normal contract agency where you would have who is the Director, how much does he make, I'm wondering what the Deputy Director makes here. We're talking about a law school. So I don't know that we have the same concerns with Touro in terms of that kind of disclosure. This is a whole nother question, this is not like a little agency we're dealing with.

CHAIRMAN CRECCA:
Well, I would suggest if this does get out of committee, if you wouldn't mind contacting Touro --

LEG. BINDER:
Sure.

CHAIRMAN CRECCA:
Find out whether they have been in compliance since October with the Carpenter law.

LEG. BINDER:
Sure.

CHAIRMAN CRECCA:
First of all, if it does get out.

LEG. BINDER:
Right.

CHAIRMAN CRECCA:
Either way you should contact them anyway.

LEG. BINDER:
Right. So I don't know if you have a motion, but I'd like to make the motion.

CHAIRMAN CRECCA:
There's a motion to approve IR 1225 by Legislator Binder, I'll second that motion.

LEG. BINDER:
On the motion.

CHAIRMAN CRECCA:
On the motion, can I get a commitment from Legislator Binder -- and I'm going to say Legislator Losquadro

because I know you're vice -- aren't you Vice-Chairman of Health and Human Services?

LEG. NOWICK:
I am.

CHAIRMAN CRECCA:
Oh, you are?

LEG. NOWICK:
I haven't gone to a meeting yet.

CHAIRMAN CRECCA:
Well, then I'll say to all of you, if you would just look -- if you would work with Ms. Grant on trying to address some of these other concerns that she has. And Allan, just because of your long-term experience with Health and Social Services, I would ask you to make that commitment to Ms. Grant to try to --

LEG. BINDER:
Sure, to find the money.

CHAIRMAN CRECCA:
Yeah.

LEG. BINDER:
The important thing to know is that CSEB has been incredibly effective. You compare them to any County in the State and we're far and away one of the best, if not the best. They do a great job and if they need some other services in the County, in bookkeeping to increase -- they use the money so well that we should probably find it because any dollar we put in will turn out more than a dollar. I mean, it's not a dollar for dollar; you put in a dollar you get back probably ten to one on the kind of -- it's an investment by us.

CHAIRMAN CRECCA:
I agree and I think that you're right, if they need something I think that we should commit to give them the tools that they need to do the work that they do.

LEG. BISHOP:
May I?

CHAIRMAN CRECCA:
Legislator Bishop, please enlighten us.

LEG. BISHOP:
As we turn towards hour six of this hearing, what I don't understand -- please stay -- $500,000 goes to Touro and

what do they do with it?

LEG. BINDER:

No, no, no, no, no; $75,000.

LEG. BISHOP:

Oh, okay.

CHAIRMAN CRECCA:

Seventy-six five.

LEG. BINDER:

Or towards 276, they would like it to be 500 I'm sure.

LEG. BISHOP:

That pays for a Director, is that?

LEG. BINDER:

Right, it funds the clinic.

LEG. BISHOP:

That's a person, right?

LEG. BINDER:

What's that?

LEG. BISHOP:

Is that what we're talking about?

LEG. BINDER:

There's probably a person and then there's people -- there are students actually work on that, right.

LEG. BISHOP:

Students work on the case and they don't get paid, so.

LEG. BINDER:

No, they don't get paid.

CHAIRMAN CRECCA:

No, but they --

LEG. BISHOP:

So it's funding the person who oversees the students, and supplies.

LEG. BINDER:
Right, and probably supplies and other things they need to -- right, to take care of it; they give an accounting for all of the stuff.

LEG. BISHOP:
And this person is currently in the position?

LEG. BINDER:
Yes.

LEG. BISHOP:
How is it funded now?

LEG. BINDER:
I don't know. They're probably not doing it now because -- my guess is that they're not doing it now because they're not funded.

LEG. BISHOP:
(Inaudible).

CHAIRMAN CRECCA:
They're not operating the program now, are they?

MS. GRANT:
They're not receiving cases from the Child Support Bureau.

LEG. BINDER:
Right, so right now they're not even doing it.

LEG. BISHOP:
Okay.

CHAIRMAN CRECCA:
And they weren't doing it, they were handling -- Paula, do you know what the caseload was that they were handling?

MS. GRANT:
They handled approximately 38 cases a year.

CHAIRMAN CRECCA:

Thirty-eight?

LEG. BISHOP:

Thirty-eight cases a year?

MS. GRANT:

Thirty-eight.

LEG. BISHOP:

You know, it's a good initiative but you have other needs. What's the cost of your other needs that you're so desperate for?

MS. GRANT:

The cost of our other needs?

LEG. BISHOP:

Yes.

MS. GRANT:

Well, I don't know that I can put a cost on it right now.

LEG. BISHOP:

If you can't do that you're not going to get the kind of -- this is your best chance to get something.

MS. GRANT:

Well, I understand. We're looking at an RFP for ancillary accounting services. We -- every time a case -- we basically have a computerized system of enforcement, of administrative enforcement. However, every time an action takes place on one of these cases, the -- the cases have to be monitored, they have to be updated, the new court orders that come in on modifications and amendments have to be -- those things have to be modified. One of the reasons that we're so successful is because of administrative enforcement, but until you put a break on the system it will charge forward. If we can't take these activities in a timely fashion then cases are enforced at the wrong amount level or clients or custodial parents and not receiving the right amount of money that they're court ordered to receive.

LEG. BISHOP:

Do you know, how is this contract arrived at?

MS. GRANT:

The Touro contract?

LEG. BISHOP:

Yeah.

MS. GRANT:
It was submitted by a Legislative proposal back in '98 I believe.

LEG. BISHOP:
My point is perhaps it could be modified to reflect, better reflect the needs of the bureau without punishing Touro. I mean, I think it's great practical experience for the students, but we shouldn't fund it at more than a level that is, you know, beyond what is necessary, right?

LEG. BINDER:
Well, I mean, they've been --

LEG. BISHOP:
Especially when there's other needs in the agency.

LEG. BINDER:
They've been funded at this level, so what I would commit to do is see if I can find an offset somewhere else and now put it in in the May --

LEG. BISHOP:
May is half a year, so maybe you can just modify your bill to -- all right, I don't want to get --

LEG. BINDER:
No, by May, though, by May I'll put another bill, we'll have -- I will find and I'll get them what they need, I mean, it's an important agency. If we could pass this out I will also make sure that they have what else -- the other funds that they need, we'll find an offset. And it's not a specious request, I mean, they really need the help, so I would want to do that.

P.O. CARACAPPA:
You could do a contracted copy and --

LEG. BINDER:
You know what, let me change my motion to -- I can change my motion to -- you approve this okay? What I might do, if I can change this, we'd beat the seven day rule, I might put some other money if I can make an amendment so by the time we see it on the floor -- I'll try to do that.

LEG. BISHOP:
I would suggest that that's --

LEG. LINDSAY:

Yes, that's fine.

CHAIRMAN CRECCA:
There's a motion --

LEG. LINDSAY:
Find a different offset, that's all.

CHAIRMAN CRECCA:
On the motion?

LEG. BINDER:
No, for the other stuff.

CHAIRMAN CRECCA:
There's a motion to approve and a second. All those in favor? Opposed? ***1225 is approved (Vote: 7-0-0-0).*** Legislator Binder, we'll give you the charge of trying to work this out and the other thing.

IR 1228 - adopting a regional cost savings plan to mitigate 2005 -- oh, we did that already, sorry.

1229-04 - Adopting Local Law No. 2004, a Charter to law to establish a cost effective policy for Early Retirement Incentive Programs for eligible employees of Suffolk County (Crecca). My understanding is that there was no public hearing scheduled for this resolution at the General Meeting; is that correct?

MS. KNAPP:
Yes.

CHAIRMAN CRECCA:
All right, so this has to -- I'll make a motion to table for a public hearing. Seconded by Legislator Binder. All those in favor? Opposed? ***1229 is tabled for a public hearing (Vote: 7-0-0-0).***

1230-04 - Adopting Local Law No. 2004, a Charter Law to authorize two-year rolling debt under 5-25-5 law to address budgetary shortfall (Crecca). This public hearing was concluded today. I'll make a motion to approve, seconded by Legislator Binder. All those in favor? Opposed?

LEG. BISHOP:
On the motion.

CHAIRMAN CRECCA:
On the motion, Legislator Bishop.

LEG. BISHOP:

I'll do it in three sentences. The resolution is imprudent and reckless if the County is going to go on a course of borrowing for the items that were originally going to be paid for out of this fund. To redirect this fund to the fiscal crisis to close the budget gap is fine, but then let's not go and borrow for all the items because then you're going to have to pay in the future years the principal and the interest. If it's just deferring decisions to later dates, and that is exactly the type of course that New York City undertook in the 1970's, Nassau County in the 80's and 90's and we know what happened there, so let's not go down that path. So I'm opposed.

CHAIRMAN CRECCA:
I'm no Mayor Beame, and I agree with you; I agree with you --

LEG. BISHOP:
(Inaudible).

CHAIRMAN CRECCA:
Yeah, it probably was actually; poor Beame got blamed. But no, I agree with you that we should not be issuing notes and bonds for every item, but we should go forward with this bill to give us that option.

LEG. LINDSAY:
Could I --

CHAIRMAN CRECCA:
Yes, Legislator Lindsay would like to add his enlightenment.

LEG. LINDSAY:
This is one of the issues that both the Legislative version and the County Executive's version agree on; am I correct?

P.O. CARACAPPA:
Yes.

CHAIRMAN CRECCA:
The two bills are identical. There is a one word difference which I believe is a typographical error in the County Executive's bill; other than that, they mirror each other.

LEG. LINDSAY:
I'll support this bill but I'm going to at Public Works renew my request for a priority list of what we should do under pay-as-you-go so that we don't go forward and approve everything that comes down the line and just increase our debt.

MR. SPERO:
Mr. Chairman?

CHAIRMAN CRECCA:
Yes, Mr. Spero.

MR. SPERO:
Just a point of information. If the bill passes and resolutions submitted for projects which would have been funded as pay-as-you-go are submitted for changing the funding source to serial bonds, it's a 14 vote resolution; it's 14 votes of the Legislature.

CHAIRMAN CRECCA:
Yes, all bonds, right.

MR. SPERO:
No, not all bonds, changing the funding source.

P.O. CARACAPPA:
No, changing the method of finance.

MR. SPERO:
Bonds are 12 votes.

CHAIRMAN CRECCA:
Right.

MR. SPERO:
To change the funding source from pay-as-you-go to serial bonds it's 14 votes.

CHAIRMAN CRECCA:
Because it's an amendment, correct.

LEG. LINDSAY:
Which makes it more difficult to spend the money, so it's good.

CHAIRMAN CRECCA:
Yes, I think that was Jim's point. All those in favor? Opposed? Legislator Bishop, do you want to be listed as opposed? List Legislator Bishop as opposed. ***Approved (Vote: 5-1-0-0 Opposed: Legislator Bishop).*** Are you voting, Presiding Officer Caracappa?

P.O. CARACAPPA:
No, not on this one.

CHAIRMAN CRECCA:
Okay, Presiding Officer Caracappa is not exercising his power to vote.

We're going to the ***Sense Resolutions:***

Sense 8-2004 - Memorializing Sense resolution requesting that the Federal Government continue the increased Federal Medical Assistance Percentage (FMAP) funding (Crecca).

LEG. BISHOP:
Motion.

CHAIRMAN CRECCA:
Motion by Legislator Bishop, seconded by myself. All those in favor? Opposed? ***Sense 8 is approved (Vote: 7-0-0-0).***

LEG. NOWICK:
Would the clerk list me as a cosponsor, please?

CHAIRMAN CRECCA:
List the entire committee as a cosponsor on that.

Sense 14-2004 - Memorializing Sense resolution requesting the Long Island Power Authority to give us $25 million like they gave Nassau -- oh, it doesn't really read that way.

LEG. BISHOP:
Setting the stage for our big settlement.

CHAIRMAN CRECCA:
Yeah, exactly. ***Sense 14-2004 - Memorializing Sense resolution requesting the Long Island Power Authority (LIPA) to provide $25 million in energy initiative funding (Crecca).*** All those in favor? Opposed? ***Sense 14 is approved (Vote: 7-0-0-0).***

LEG. NOWICK:
Cosponsor.

CHAIRMAN CRECCA:
Cosponsor everybody, everybody cosponsor.

Sense 15-2004 - Memorializing Sense resolution requesting the State of New York to enact amendments to the hotel/motel tax (Crecca).
I'll make a motion to approve, seconded by Legislator Binder.

LEG. BISHOP:
What are the --

CHAIRMAN CRECCA:
Yes, you need to know this because this bill was changed from when it was originally laid on the table. It authorize Suffolk County to -- first of all, it extends the deadline on our Hotel/Motel Tax, it's now set to expire in 2005, it would extend it to 2010. Second of all, it raises the tax to 3% which is what our sister County, our neighbor County, Nassau County has and it still --

LEG. BISHOP:
Hold on..

CHAIRMAN CRECCA:
It's still much lower than most of the other counties in the State, certainly in the region. And those monies would go to fund economic development and tourism, really tourism, and it breaks down the percentages also. But it doesn't decrease any funding to LICVB or the current Historic Preservation, it actually increases the Historic Preservation also and provides funding for our Parks Department and Economic Development and our airport, etcetera. All those in favor? Opposed?

LEG. BISHOP:
I will abstain.

CHAIRMAN CRECCA:
Sense 15 is approved, list Bishop as an abstained (Vote: 6-0-1-0 Abstention: Legislator Bishop).

Before -- excuse me, folks, before we adjourn, I just have a question because I thought there were some bills here that aren't on the agenda, so if you can just hang out one second.

Jim -- I know, there's like dead silence -- I thought there were -- weren't there some bills that were supposed to be on the agenda from the County Clerk's Office; 1109, 1108?

MR. SPERO:
Are they on this committee's agenda? We submitted corrected copies to Counsel yesterday changing the funding source on two County Clerk bills from pay-as-you-go to serial bonds.

CHAIRMAN CRECCA:
My question was legally when were they laid on the table?

MR. SPERO:
At the last meeting, the February meeting.

MS. KNAPP:

They were amended. I don't know why they're not on here. They're definitely not on here?

MS. BAY:

They went to Ways & Means.

CHAIRMAN CRECCA:

Can we just -- that's why before everybody walks out the door I need to know whether --

MS. BAY:

1108 and 1109 went to Ways & Means.

CHAIRMAN CRECCA:

Okay. I'm sorry, Mr. Kennedy, you were sitting here, they're in Ways & Means, you'll have to come back then. But I apologize to your office.

MR. KENNEDY:

Not a problem.

CHAIRMAN CRECCA:

All right. This meeting is adjourned.

(*The meeting was adjourned at 2:11 P.M.*).

Legislator Andrew Crecca, Chairman.
Budget & Finance Committee